



Daily Report

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CONTENTS

27 March 1991

NOTICE TO READERS: An * indicates material not previously disseminated in electronic form.

INTERNATIONAL AFFAIRS

General

GATT Report Examines 1990 World Trade Growth [XINHUA]	1
World Bank Approves Credit for Liaoning Project [XINHUA]	1

Soviet Union

Li Ximing-Led Delegation Meets Prokofyev [XINHUA]	2
Air Services Agreement Signed in Beijing [CHINA DAILY 27 Mar]	2

Northeast Asia

Trade Association To Promote Sino-Japanese Ties [XINHUA]	2
--	---

Southeast Asia & Pacific

Pu Chaozhu Arrives To Attend Lao Party Congress [XINHUA]	3
New Zealand Wool Trade To Develop Gradually [XINHUA]	3

Near East & South Asia

Israeli Foreign Ministry Director General Visits	3
Merhav Discusses Joint Relations [Jerusalem Radio]	3
Meets Ministry Officials [Tel Aviv 'AL HAMISHMAR 26 Mar]	4
Normal Ties Unlikely in Near Future [Hong Kong SOUTH CHINA MORNING POST 27 Mar]	4
PRC-Bangladesh Commission To Meet in Dhaka [XINHUA]	5
Article Views New Middle East Diplomacy [Hong Kong WEN WEI PO 26 Mar]	5

West Europe

Ireland's 'Interference' Over Dalai Lama Protested [XINHUA]	6
Wan Li Receives Austrian Officials 26 March [XINHUA]	7

East Europe

Agreement Reached on CSFR Trade Deficit [CTK]	7
Scientific Cooperation Pact Signed With Poland [XINHUA]	8

Latin America & Caribbean

Air Force Commander Arrives in Santiago [XINHUA]	8
Peruvian Parliamentary Group Arrives in Beijing [XINHUA]	8
Liao Hansheng Briefs Delegation [XINHUA]	8

NATIONAL AFFAIRS

National People's Congress

Li Peng Delivers Report at 25 March Session [Beijing Radio]	9
Exploration of Li Peng's Work Report	34
Part Two [Hong Kong WEN WEI PO 25 Mar]	34
Part Three [Hong Kong WEN WEI PO 26 Mar]	35
Zou Jiahua Presents Report on Economic Plans [Beijing TV]	36
Bo Yibo Meets With Deputies From Shanxi [XINHUA]	38
Hong Kong Delegates Hope for Increased Power [Hong Kong SOUTH CHINA MORNING POST 27 Mar]	38
Foreign Minister Qian Qichen Meets Press [Beijing TV]	39
Deputies Discuss Control of Financial Deficit [XINHUA]	44
Deputies on Improving Economic Performance [XINHUA]	45
Hu Qili 'Focus of Attention' at Session [Hong Kong WEN WEI PO 26 Mar]	46
Treatment Analyzed [Hong Kong SOUTH CHINA MORNING POST 27 Mar]	46

CPPCC

Li Peng Report, Development Plan Discussed [XINHUA]	47
---	----

Political & Social

Guangdong's Ye Xuanping Interviewed on Socialism [Hong Kong MING PAO 27 Mar]	48
Guangdong Officials on Payments to Center [Hong Kong SOUTH CHINA MORNING POST 27 Mar]	48
Guangdong, Shanghai Vie for Funds, Privileges [Hong Kong KUANG CHIAO CHING 16 Mar] ...	49
Minister Discusses 'Three Gorges' Project [Hong Kong WEN WEI PO 26 Mar]	52
XINHUA Policy Terminology Series on NPC	53
Part Four	53
Part Five	53
More Cadres Recruited Through Examination [Hong Kong LIAOWANG OVERSEAS EDITION 18 Mar]	54
Tian Jiyun Addresses Beijing Greening Meeting [BEIJING RIBAO 10 Mar]	56

REGIONAL AFFAIRS

East Region

'Text' of Shanghai Housing Reform Plan [JIEFANG RIBAO 17 Mar]	58
---	----

Central-South Region

Guangdong Vice Governor Yu Fei on Price Reform [Guangzhou Radio]	62
Henan's Li Changchun Speaks on Opening Up [Zhengzhou Radio]	62

Northeast Region

Quan Shuren Article Views Women's Emancipation [LIAONING RIBAO 8 Mar]	62
---	----

Northwest Region

Gu Jinchi Meets Gansu Deputies to NPC [Lanzhou Radio]	64
Attends Supervisory Conference [Lanzhou Radio]	65
Writes on Lei Feng [GANSU RIBAO 5 Mar]	65
Song Hanliang, Others Denounce Books on Splittism [Urumqi TV]	66

TAIWAN

Presidential Spokesman on Li Peng NPC Report [Taipei Radio]	68
Government Spokesman Views Report [CNA]	68
Air Service Agreement Signed With Australia [CNA]	68
Australian Foreign Minister Comments [AFP]	69
Economics Minister Meets Soviet Delegation [Taipei Radio]	69
Businessmen Cautioned on Mainland Economic Policy [CNA]	69

HONG KONG & MACAO

Hong Kong

Zhou Nan Interviewed on 10-Year Program's Impact [WEN WEI PO 24 Mar]	71
Bank of China Urges Control of Government Expense [HONGKONG STANDARD (BUSINESS STANDARD) 27 Mar]	72

General

GATT Report Examines 1990 World Trade Growth

OW2603191191 Beijing XINHUA in English
0646 GMT 26 Mar 91

[Text] Geneva, March 26 (XINHUA)—World merchandise trade growth, in volume terms, slowed down noticeably last year, from 7 percent in 1989 to an estimated 5 percent for 1990, the General Agreement on Tariffs and Trade (GATT) reported on Tuesday.

According to GATT's annual report on international trade, economic disruption and uncertainties caused by the Gulf crisis contributed to the slower growth of world trade in 1990, though they did not play a pivotal role in the downturn.

However, the value of world merchandise trade increased by 13 percent in 1990 to a new record of 3.5 trillion U.S. dollars, due in part to the dollar's depreciation against major European currencies.

Trade in commercial services, covering sectors like transportation, tourism, telecommunications, insurance and banking, rose by 12 percent last year to approximately 770 billion dollars.

The growth rate for world output also slipped, from 4 percent in 1989 to 3 percent in 1990.

GATT economists said last year's figures could be considered satisfactory as output growth and trade growth were both close to the annual average for an eight-year expansion that has been underway since 1982.

But GATT expressed concern that 1990 was the second year in a row of falling growth rates and that prospects for 1991 were still unclear.

The GATT report also provided an assessment of the impact on trade from the Gulf crisis. It concluded that while the Gulf war's overall effect on world trade was relatively small, the loss of trade for individual countries such as Jordan, Turkey, Romania, India and Yugoslavia had been appreciable.

With tourism accounting for an average of 11 percent of the total exports of goods and services for countries in the Middle East region (in some cases as high as 25 percent), the loss of revenue in this sector as a result of the Gulf crisis has been widely shared and significant, the report said.

Countries like Egypt and Djibouti suffered substantial losses due to reduced sea transport. One-fifth of Egypt's foreign exchange earnings come from tolls levied on Suez Canal traffic.

Another important economic effect was the sharp drop in worker remittances from Kuwait and Iraq to India, Bangladesh, Pakistan, Sri Lanka, the Philippines and other nations.

The air transport industry was one of the hardest hit by the Gulf crisis. Higher fuel prices, rising insurance premiums, the costs of enhanced security, and fewer passengers added to the industry's woes caused by over-expansion in the air transport sector over recent years.

Boosted by the effects of a depreciated dollar, the value of Western Europe's exports last year rose by almost 20 percent and the value of its imports by 21 percent. Japan recorded only a 4.5 percent increase in its exports and 11.5 percent in imports. North America, in the grip of recession by year's end, increased its exports by 8.5 percent, but its imports by only 3.5 percent.

Developing countries as a whole increase their exports by 13 percent and imports by 15 percent.

In China, the value of imports declined by 8.5 percent while exports grew by 18 percent, resulting in a shift in the merchandise trade balance from a 6.5 billion dollars deficit in 1989 to an 8 billion surplus last year.

Trade in Central and East European countries continued to fare poorly in comparison with other regions. A major decline in intra-regional trade was only partly offset by an expansion in the trade by Czechoslovakia, Hungary and Poland with the rest of the world.

Germany took back its place as the world's top merchandise exporter from the United States last year. It would have done so without reunification largely on the strength of the appreciation of the Deutsche mark.

GATT economists said the extent of trade and output expansion in 1991 remained more uncertain than usual, though the prospects had been improved by the recent Gulf ceasefire and the reduction of oil prices from 35 dollars a barrel in October to its present rate around 20 dollars. They expect that a further modest slowdown in the growth of world trade is likely for the year as a whole.

World Bank Approves Credit for Liaoning Project

OW2603133891 Beijing XINHUA in English
0907 GMT 26 Mar 91

[Text] Washington, March 25 (XINHUA)—The World Bank announced today it has approved a credit of 77.8 million dollars for China to support an urban infrastructure project in its Liaoning Province.

The objective of the project is to improve the management of water resources and urban transportation in the Chinese northeastern province.

The credit will be disbursed through the International Development Association (IDA), an affiliate of the bank, which lends concessionary loans to less-developed countries.

Soviet Union

Li Ximing-Led Delegation Meets Prokofyev

OW2703074891 Beijing XINHUA in English
0733 GMT 27 Mar 91

[Text] Moscow, March 26 (XINHUA)—Soviet Communist Party Politburo member Yuriy Prokofyev met with a delegation of the Beijing Municipal Committee of the Chinese Communist Party here today.

The delegation headed by Li Ximing, Chinese Communist Party Politburo member and secretary of the Beijing Municipal Committee of the Chinese Communist Party, arrived here on March 25.

During the meeting, Li praised the Soviet people for having a glorious tradition of the October Revolution. The Soviet Communist Party has been leading the Soviet people in surmounting numerous difficulties in the course of their socialist revolution and socialist construction in the past 70 years and more, he said.

"We sincerely hope and are convinced that the comrades of the Soviet Communist Party will surely resolve the current problems of the country and move the situation into a track of steady and healthy development," he stressed.

Prokofyev, who is also the first secretary of the Moscow City Committee of the Soviet Communist Party, said China has found the right orientation for its reform, which is started in rural areas to solve the problem of food first and which links the market economy with socialism.

The two sides also expressed their hope to strengthen exchanges and contacts between the two municipal party committees.

Air Services Agreement Signed in Beijing

HK2703055891 Beijing CHINA DAILY in English
27 Mar 91 p 3

[By staff reporter Gao Jinan]

[Text] China and the Soviet Union yesterday signed a new air services agreement in Beijing, marking a big step towards a further expansion in cooperation between the two countries.

Under the agreement, a new air route between Shenyang in Liaoning Province and Irkusk will be opened this year in addition to the three in operation at present between Beijing-Moscow, Harbin-Khabrovsk and Urumqi-Alma-Ata.

Jiang Zhuping, newly appointed director-general of the Civil Aviation Administration of China (CAAC), and his Soviet counterpart Boris Paniukov signed the agreement.

An agreement signed by the two countries in 1954 did not meet the demands of the developing Sino-Soviet civil aviation relations, he said.

Jiang said he hoped the new agreement would help stimulate the development of civil aviation in both countries.

Heading a seven-member delegation, Paniukov, minister of the Soviet Civil Aviation Ministry, is on a five-day visit to China.

He is one of the few high-level Soviet Government officials to visit China since the normalization of Sino-Soviet relations in April 1989.

Jiang and other top CAAC officials held talks with Paniukov and briefed the Soviet guests about the structural reform of China's civil aviation industry.

Paniukov said that the Soviet Union would draw on the experience of the structural reform of the Chinese civil aviation industry.

He said his visit would also help pave the way for Chinese Communist Party General Secretary Jiang Zemin to visit Moscow this year.

There are now about 20 flights a week to the Soviet Union and a number of Soviet flights to Chinese cities, according to CAAC sources.

Northeast Asia

Trade Association To Promote Sino-Japanese Ties

OW2603172791 Beijing XINHUA in English
1653 GMT 26 Mar 91

[Text] Tokyo, March 26 (XINHUA)—The Association for the Promotion of International Trade of Japan pledged Monday to step up its efforts to work for a comprehensive restoration of economic cooperation between Japan and China.

In an action program adopted at the 38th convention of the association on Monday, the organization said it would continue its efforts to fully restore the economic ties between the two countries in fiscal 1991, which starts April 1.

The association attached great importance to pursuing long-term and steady development of Sino-Japanese economic cooperation at a time when China is working on its Eighth Five-Year Plan that stresses the combination of central planning and market mechanism in economic management.

It said that the central task in the upcoming fiscal year is to promote and further expand the economic cooperation and trade between the two countries.

To that end, the association pledged to continue to promote all kinds of exchanges between the two countries in trade and other economic fields.

The organization would also step up its efforts to further develop bilateral trade, Japanese investment in China, financial and monetary cooperation, technology transfer, joint ventures, personnel exchanges, and tourism, according to the document.

The association also urged the Japanese Government to implement and increase its capital aid to China, ease export restrictions and simplify export procedures.

In the meantime, the association, which has been working for strengthening friendship and cooperation between Japan and China since 1954, expressed the hopes that internal stability in China would be promoted, and that economic adjustment and management would be carried out successfully.

It also urged China to make improvements in carrying out contracts and strengthen macro-control in economic activities.

Speaker of the Japanese House of Representatives and Chairman of the Association Yoshio Sakurachi presided over the convention. Visiting Chinese Vice Minister of Foreign Trade Shen Jueren attended the meeting.

Southeast Asia & Pacific

Pu Chaozhu Arrives To Attend Lao Party Congress

OW2603142491 Beijing XINHUA in English
1153 GMT 26 Mar 91

[Text] Vientiane, March 26 (XINHUA)—At the invitation of the Lao People's Revolutionary Party, Pu Chaozhu, member of the Central Committee of the Chinese Communist Party, arrived here today to attend the Fifth Congress of the Lao People's Revolutionary Party on behalf of the Chinese party.

Pu, greeted by Lao Foreign Minister Phoun Sipaseut at the airport, is the first delegate of the Chinese Communist Party to be invited to the party congress.

Pu told XINHUA at the airport that it was an honor for him to attend the congress, which is scheduled to open tomorrow.

He added that the relations between China and Laos have developed smoothly since Secretary General Kaysone Phomvihane visited China in October 1989.

New Zealand Wool Trade To Develop Gradually

OW2603142691 Beijing XINHUA in English
0730 GMT 26 Mar 91

[Text] Wellington, March 26 (XINHUA)—China has expressed its intention to buy more wool from New Zealand this year and in the future, but would not come back to its historical peak importation from the country.

The promise for more wool trade with New Zealand was stated today by Chinese Vice-Minister of Textile

Industry Ji Guobiao when he met with New Zealand Agriculture Minister John Falloon and Trade Negotiation Minister Philp Burdon separately.

Along with the development of China's domestic economy and the expansion of its external markets, it would increase its purchase of wool from New Zealand and other parts of the world gradually.

Without giving specific figures of how much wool was to be imported from New Zealand, the vice-minister said that China would buy more wool this year than in 1990 when around 8,000 tons of wool were estimated to have been purchased. And the purchase volume will be increased year by year in the future, the minister added.

However, he noted that it was unlikely for China to come back to the peak purchasing volume registered in 1988, when more than 60,000 tons of wool were imported from New Zealand. "The purchase then was abnormal due to various domestic reasons," the minister said.

China attaches much importance to China-New Zealand trade in wool and other textile products, Ji said, adding that the China-NZ wool trade over the past 10 years has been positive and has helped enhance the general economic relations and trade between the two countries.

New Zealand has also given priority to trading with China, wool trade in particular, the two NZ ministers said. They assured the Chinese delegation that their country's relevant wool research institutions will develop more varieties of products while improving quality so as to make its wool and other products more internationally competitive.

Near East & South Asia

Israeli Foreign Ministry Director General Visits

Merhav Discusses Joint Relations

TA2603063991 Jerusalem Domestic Service
in Hebrew 0405 GMT 26 Mar 91

[Telephone interview with Foreign Ministry Director General Re'uven Merhav by Hayim Zissowitz—live]

[Text] [Zissowitz] Good morning to Mr. Merhav on the telephone.

[Merhav] Good morning. I am talking to you from Hong Kong, not from the PRC.

[Zissowitz] Have you already been to the PRC?

[Merhav] Yes, I was there on a private visit which ended a few days ago. I visited our academic delegation and saw the preparations to convene the National People's Congress, their parliament, for its annual meeting. There are very important issues on the agenda, including the international scene.

[Merhav] The PRC Foreign Ministry spokesman, in an exceptional move, reported your visit. There are Western diplomats in the PRC who say it is a sign of upcoming diplomatic relations between the PRC and Israel. Is that correct?

[Merhav] We go back a long way. The Chinese know about us and are closely following what is happening in Israel. They know that they cannot continue the anomalous situation that while they are permanent members of the Security Council, as one of the five powers, they are now the only Security Council member that does not have direct high-level negotiations with us. Therefore, I believe that in the coming months there will be very positive developments. We are talking about normalization and not a prize for good behavior, and I believe that the Chinese understand that very well.

[Zissowitz] What is their level of interest in Middle East events and their desire to become more involved in this region?

[Merhav] That question has two aspects. One is the bilateral aspect. The PRC has shown an interest in the Middle East. It has gradually set up ties with the Arab world, which was the leading force in the PRC's return to the United Nations when it replaced Taiwan. The Chinese are grateful to the Arabs for that. The Chinese have also provided a great deal of arms. Ninety-five percent of the arms in the Middle East were supplied by the Security Council's five permanent members. There were also people from the PRC who worked in building firms and other technological development. The other aspect is the international angle. As I pointed out before, as a member of the Security Council, the PRC is slated to play an important role. If it does not pave the road to normalization with us, it will find it very difficult to play any positive part, and the Chinese know that.

[Zissowitz] Prior to your visit to the PRC, you visited the USSR and conferred with Bessmertnykh. You brought with you a message from Foreign Minister David Levi. Does the USSR agree to discuss with us a regional conference instead of an international conference?

[Merhav] I would like to correct you. I did not meet with Bessmertnykh. He was busy preparing for the Baker visit. I conferred with one of his deputies (Valonogov), and with Yakovlev, one of President Gorbachev's senior advisers, and a person with a great deal of influence. I got the deep impression that the Soviets are first and foremost concerned with their own problems. They would like to see progress in the Middle East. They no longer stick to formulae which, from our viewpoint, are certainly been outdated and were never relevant. They want to see progress. They are divided. In the Soviet Foreign Ministry I found a great deal of openness, but there are still remnants of its Arabist tendency, since they invested a great deal of effort in our region. In general, relations with the USSR are also leading to normalization.

Meets Ministry Officials

TA2603085491 Tel Aviv 'AL HAMISHMAR in Hebrew
26 Mar 91 p 3

[Report by Moti Bassok]

[Text] Foreign Ministry Director General Re'uven Merhav, on a private visit to China, met with senior Foreign Ministry officials, including the PRC deputy foreign minister.

The Foreign Ministry in Jerusalem, which wishes to downplay Merhav's visit to China, noted that in the framework of his stay in Beijing last week, Merhav acted for tighter and better ties between the two countries.

Merhav, who forged the first contacts between China and Israel during his term as consul general in Hong Kong in the 1980's, came to China after an official visit to the Soviet Union.

The Chinese have given their consent to the upgrading of the Israeli representation in Beijing and to the free entry into China of Israeli nationals bearing an Israeli passport.

Normal Ties Unlikely in Near Future

HK2703032591 Hong Kong SOUTH CHINA
MORNING POST in English 27 Mar 91 p 11

[By Daniel Kwan]

[Text] A senior Israeli Government official yesterday indicated it was unlikely China and Israel would normalise relations in the near future.

Asked when he expected Beijing and Tel Aviv to tie the diplomatic knot, Mr Re'uven Merhav, Director-General of the Foreign Ministry, said: "I do not propose anything dramatic would happen in the next month or so."

"I think in the coming months or years there will be a slow improvement of relations. I think they (Beijing) are eager to understand what is happening in the Middle East," said Mr Merhav, who arrived in Hong Kong last weekend after a private visit to Beijing.

"I think we are on the way to normalisation and they are trying to learn more about us."

Looking back on the tortuous path of Sino-American rapprochement, Mr Merhav pointed out that it took fully seven years for the two nations to mend fences after the historic visit to Beijing by former U.S. President Mr Richard Nixon in 1972.

He hinted he was confident an Israeli embassy could be set up in Beijing in less than seven years.

"We do hope the establishment of respective offices will serve the relationship of the two peoples."

Mr Merhav said the quasi-official Chinese tourist office in Tel Aviv and Israel's academic representative office in Beijing, had given a push to relations.

According to Mr Merhav, it was important for China as a permanent member of the United Nations and one of the five members of the UN Security Council to have closer ties with Israel so Beijing could play a more effective role in the international body.

Mr Merhav said Israel's "one-China" policy remained unchanged.

"We have the highest regard for the achievements of the people in Taiwan in all the economic spheres. And as far as economic exchanges, we are going to pursue as much as possible," he said.

"There are very interesting opportunities, for us and for them. But the basic policy is unchanged," he added.

Although Beijing and Tel Aviv recognised each other as early as the late 1940s, the relationship turned sour when China moved towards the Arab world in the mid-1950's and rejected Israel.

On the Middle East, Mr Merhav said any security arrangements between Arab countries and Iraq would have a "positive effect" on Israel.

"We are going to propose the arrangement which we'll make with western Iraq vis-a-vis Saudi Arabia and perhaps vis-a-vis Jordan (and that) will give us the needed security from the east."

The arrangement, according to Mr Merhav, would be similar to the one Israel's military threat from the east by as much as 40 percent and would eventually give the Jewish state the "peace of mind" to deal with the Palestinian problem at home.

"It will bring us... a positive solution within the Palestinian, Jordanian nations with whom we will have to find accommodation," he said.

One key player in such a deal, Mr Merhav said, was the United States.

"Now this cannot be done without an honest broker. From all that we've seen in the international scene, the only honest broker that we have found until now is the United States," he said.

PRC-Bangladesh Commission To Meet in Dhaka

OW2603132591 Beijing XINHUA in English
1158 GMT 26 Mar 91

[Text] Dhaka, March 26 (XINHUA)—The Bangladesh-China joint economic commission will meet in Dhaka on April 8-10 to review its achievement and to explore new areas of cooperation, officials said here on Monday.

The meeting is expected to take a decision on setting up a 250-bed modern hospital in Dhaka and a bicycle chain manufacturing factory in Bangladesh with Chinese assistance.

Proposals for introducing Dhaka-Beijing direct air and shipping services are likely to come up in the session. Chinese assistance for flood control will also be discussed.

It will be the commission's sixth session since it was set up on November 2, 1983, to promote cooperation between the two countries in economic, trade, science, technical, transport and cultural fields.

In the past 15 years, China has provided Bangladesh 363 million yuan (more than 100 million U.S. dollars) in interest-free loans for project constructions.

Article Views New Middle East Diplomacy

HK2603123191 Hong Kong WEN WEI PO in Chinese
26 Mar 91 p 4

["Roundup" by Fan Yu Chung (5400 3768 1813): "New Diplomatic Pattern Emerges in Middle East"]

[Text] Since the conclusion of the Gulf War, Western countries such as the United States, and some Arab countries have carried out frequent diplomatic activities surrounding post-war peace arrangements and the Middle East problem. Forces in the Middle East are reorganizing themselves and a new pattern will emerge in the region.

Changes in the Balance of Forces in the Middle East Region

The total defeat of Iraq has changed the balance of forces in the Middle East region. Iraq has been greatly weakened, while Egypt, Syria, and Saudi Arabia have expanded their influence and roles. Before the cease-fire in the Gulf War, the foreign ministers from Egypt, Syria, and the member countries of the Gulf Cooperation Council—Saudi Arabia, Kuwait, Qatar, Bahrain, United Arab Emirates, and Oman—held a meeting in Cairo to discuss an initial plan for peace after the war. Recently, the foreign ministers from these eight Arab countries again held a meeting in Damascus and made the peace plan more concrete. They decided to establish a 150,000-man peace-keeping force, with Egypt and Syria playing the major role—the former contributing 100,000 men, the latter, 15,000 men. The troops will be deployed in the buffer areas along the Iraqi-Kuwaiti border and the Iraqi-Saudi border. At the same time, the six members of the Gulf Cooperation Council decided to establish an \$8 billion development fund to assist the development projects in Egypt and Syria; Egypt will receive \$5.3 billion, Syria will receive the rest.

The two meetings, one in Cairo and one in Damascus, showed that Egypt's and Syria's roles in balancing

regional forces after the Gulf War have greatly strengthened. The eight-nation group, with Egypt and Syria as the axis, is in fact an alliance for military and economic cooperation. Egypt and Syria send troops to protect the Gulf countries, which send money to Egypt and Syria for economic development. It is believed that the eight-nation group will probably develop into a permanent Middle East peace arrangement, which will include Israel, Iran, and Iraq.

Influences and Roles of Egypt, Syria, and Saudi Arabia Expand

It seems that the United States and Britain are behind the diplomatic activities carried out by Egypt, Syria, and Saudi Arabia. The United States realizes that long-term garrisoning of U.S. forces in the Gulf region will cause anti-U.S. sentiment among Muslim countries in the Arab world. President Bush said repeatedly that when the Gulf War ends, U.S. ground forces will return home as soon as possible and that the peace-keeping force should be composed mainly of Arab forces. This in fact is to allow the Arabs to come forward to enforce Bush's new Middle East order. Secretary of State Baker admitted during an interview with NBC that the United States cannot force peace on the Middle East. Commenting on the meeting of eight Arab foreign ministers, British Foreign Secretary Hurd said strengthening of cooperation among these countries is the "core" of the restoration of Arab cooperation.

However, the move by the eight Arab countries seemed to be premature because they made the move before Baker's trip to the Middle East. Therefore, when the meeting of the eight countries decided to establish a peace-keeping force, the United States only expressed its appreciation for the initiative taken by the eight foreign ministers in discussing such an idea, but did not say it agreed with the decision made by the meeting. Judging from Bush's speech to Congress on 7 March, the United States has hoped to carry out a more extensive arrangement for peace in the Middle East, one which is not confined only to the Gulf, nor to the eight countries. More importantly, Bush said the United States would not deploy ground forces in the Gulf but would maintain a naval capability there, as well as conducting joint air and sea exercises with Arab countries. Obviously, this is to tell the Arabs that the peace-keeping force is to be composed mainly of the Arabs, but it must take orders from the Americans, just like they did during the Gulf war. Of course, judging from the U.S. response to the decision made by the eight countries, the worry concerning too big a role for Syria cannot be excluded.

Iran Is a Factor Not To Be Overlooked

In fact, Gulf peace involves many aspects and one of the factors which should not be overlooked, is Iran. Iran is a big regional power in the Gulf region; it remained neutral in the Gulf war but, in fact, was one of the biggest beneficiaries of the war. During that period, it improved its relations with Western countries such as the Soviet

Union and the United States and cast off its difficult diplomatic situation. Iraq has been greatly weakened during the Gulf war and the Iranians are very happy. They think it will take a generation for Iraq to recover and Iraq will not constitute a threat to Iran for the time being. Conversely, Iraq is asking for Iran's help when faced with some current problems, such as internal strife. Iran has said it wanted a say on the decision concerning the future of Iraq and even the whole region. Iranian Foreign Minister Velayati said recently that Iran will be a "motive force" for regional stability. Britain's INDEPENDENT thought Velayati's words indicated that Iran wanted to play the role of regional military police. A Kuwaiti official admitted that without a strong Iran, it is impossible or impractical to realize regional security.

It is said that the Gulf Cooperation Council originally suggested that Iran be allowed to take part in the post-war security system, but Egypt and Syria were opposed. Egyptian President Mubarak said Iran's participation in the Gulf security system is a future, not a current, matter. Therefore, Iran was excluded.

People Are Paying Attention To How the Soviet Union Involves Itself in the Middle East

It might not be true that the Soviet Union does not want to restore and expand its interest and influence in the Middle East. The Soviet military has already expressed worry over the setback for the Soviet Union in the Middle East. At the most crucial moment of the Gulf war, the Soviet Union openly threatened the United States by saying that it would not sit back and watch the war near its southern border. People are concerned about whether the Soviet Union will help Iraq rebuild its strength, support Iran in confrontation with the United States, or use other styles to interfere in Middle East affairs.

The whole Middle East problem is even more complicated and after the Gulf war, destabilizing factors still exist. Israel's position has been further strengthened and its uncompromising stance makes it difficult to completely solve the Israeli-Arab conflict. Urging other countries to limit arms shipment to the Middle East, the United States arms some Middle East countries on a large scale. The arms race in the Middle East has never stopped and will not stop in the future. Iraq's Muslim Shiites intend to grasp power. The conflicts among Arab countries have not been solved. Judged from a long-term perspective, the so-called U.S. plan for new order in the Middle East will still create new conflicts and destabilizing factors. People indeed doubt whether such a "lasting peace" can be lasting.

West Europe

Ireland's 'Interference' Over Dalai Lama Protested

OW2703120591 Beijing XINHUA in English
1144 GMT 27 Mar 91

[Text] Beijing, March 27 (XINHUA)—A leading official of the Department of West European Affairs of the

Chinese Foreign Ministry met here today by appointment with Mme. Webster, charg  d'affaires ad interim of the Embassy of Ireland in China and made serious representations on the presence of the president of Ireland at the opening ceremony of the Buddhist art exhibition presided over by the Dalai Lama.

The leading official made it clear that Tibet was an inalienable part of the Chinese territory and the question of Tibet was purely an internal affair of China which brooks no interference from foreign governments, organizations or individuals.

The fact that the Irish Government permitted the Dalai Lama to publicly engage in the activities aimed at splitting China and undermining the unity of her nationalities and unscrupulously attack the Chinese central government on Irish soil and moreover, let its president and two cabinet ministers attend on March 22 the opening ceremony of the so-called Buddhist art exhibition presided over by the Dalai Lama and meet him, constituted an encouragement and support to the political activities of the Dalai Lama aimed at splitting China and an interference in China's internal affairs, the official said.

He said that for this, he was instructed to lodge a protest with the Irish Government.

The leading official also pointed out that the actions of some leading officials of Ireland have hurt the feelings of the Chinese people, contravened the norm governing international relations, i.e. noninterference in each other's internal affairs and also run counter to the Irish Government's own position to recognize Tibet as a part of the Chinese territory.

He expressed the hope that the Irish Government would take a serious approach to the position of the Chinese Government on the Dalai Lama and the question of Tibet and adopt all necessary measures to ensure against the recurrence of any similar incident in the future.

Wan Li Receives Austrian Officials 26 March

OW2603151091 Beijing XINHUA in English
1312 GMT 26 Mar 91

[Text] Beijing, March 26 (XINHUA)—Wan Li, chairman of the Standing Committee of the National People's Congress (NPC), expressed his hope today that friendly relations between the two countries, two parliaments and two peoples of China and Austria would develop further.

Wan expressed his feelings today in Beijing during a meeting with a delegation of Austrian provincial governmental officials led by Elizabeth Haselbach, president of the Austrian Federal Council.

Wan warmly welcomed the guests from Austria to China and noted that this year marks the 20th anniversary of the establishment of diplomatic relations between China

and Austria, as well as of the establishment of the Austria-China Friendship Association.

He said that friendly cooperation between the two countries has developed steadily over the last 20 years and that members of the association have also made contributions to the development of such relations of cooperation.

Wan told the guests that the aim of the ongoing NPC session is to discuss and examine the country's Eighth Five-Year Plan and the overall plan for the country's economic and social development during the 1990's.

Wan said that the joint efforts of the NPC deputies will ensure that the result of the two plans will turn out as planned.

Haselbach briefed Wan on the affairs of the Austrian parliament, and Wan in turn answered his guests questions concerning the NPC.

The delegation, which arrived here on March 25 on a three-week visit to China, is the first high-level political delegation from Austria to visit China in the last two years. The purpose of the visit is to provide the delegates with information concerning China's current situation and policies, according to their host, the Chinese People's Association for Friendship With Foreign Countries.

President of the association Han Xu and Austrian Ambassador to China Dietrich Bukowski were present at the meeting.

East Europe

Agreement Reached on CSFR Trade Deficit

LD2503164591 Prague CTK in English 1431 GMT
25 Mar 91

[Text] Beijing March 25 (CTK correspondent)—Czechoslovak Deputy Foreign Trade Minister Lubomir Martak has reached agreement with Chinese partners on wiping out Czechoslovakia's 1990 deficit in mutual trade with supplies of textile machines and Tatra lorries worth 100 million dollars.

The agreement was reached in talks here these days of a Czechoslovak trade delegation which also concerned the implementation of the Czechoslovak-Chinese intergovernmental trade agreement for 1991, the first year of trade in free currencies.

Chinese Minister of Foreign Economic Relations and trade Li Lanqing is due to visit Czechoslovakia at the invitation of Czechoslovak Foreign Trade Minister Jozef Baksay in the first half of this year.

Scientific Cooperation Pact Signed With Poland

OW'2603162491 Beijing XINHUA in English
0737 GMT 26 Mar 91

[Text] Warsaw, March 25 (XINHUA)—China and Poland today signed a protocol for scientific and technological cooperation between the two countries.

The protocol was signed by Zhou Ping, vice minister of the Chinese Science and Technology Commission, and Piotr Hubner, secretary of the Polish Scientific Research Committee.

The Chinese delegation for scientific and technological cooperation, headed by Zhou, arrived here on March 19 to attend the 22nd session of the Sino-Polish Mixed Committee of Scientific and Technological Cooperation.

During the meeting, both sides exchanged views on the development of bilateral scientific-technological cooperation. Additionally, they discussed a series of new cooperation and exchange projects including nine joint research projects.

The committee approved a resolution to encourage and support bilateral cooperation and exchanges on mining, machinery, agriculture, electronics, ship building and direct cooperation between enterprises.

Latin America & Caribbean**Air Force Commander Arrives in Santiago**

OW'2703044491 Beijing XINHUA in English
0251 GMT 27 Mar 91

[Text] Santiago, March 26 (XINHUA)—General Wang Hai, the Chinese Air Force commander, arrived here this morning for a six-day visit to Chile at the invitation of his Chilean counterpart.

General Fernando Matthei Aubel, the air commander-in-chief of the Chilean Air Force, received the five-member Chinese Air Force delegation at the airport.

The two commanders, who had known each other since 1987, when General Matthei paid a visit to China, held friendly talks at the VIP lounge of the airport.

General Wang is scheduled to meet Chilean President Patricio Aylwin Azocar at the Presidential Palace of La

Moneda on Wednesday, following talks with Defense Minister Patricio Rojas Saavedra.

During his stay, General Wang will talk with General Matthei on issues of common interest, and visit the Chilean capital of Santiago and the country's southern city of Punta Arenas.

The Chinese delegation will leave for the Peruvian capital of Lima on Sunday.

Peruvian Parliamentary Group Arrives in Beijing

OW'2603155191 Beijing XINHUA in English
1538 GMT 26 Mar 91

[Text] Beijing, March 26 (XINHUA)—A parliamentary delegation of Peru headed by Maximo San Roman, Peru's first vice president and president of the Senate, arrived here tonight after touring two Chinese cities.

The seven-member delegation has visited Shanghai and Guangzhou since they started a nine-day goodwill visit to China on March 22.

In Guangzhou, their second stop in China, the group met with local legislators, visited industrial companies and factories, and toured an economic-technological development zone.

In the next few days, the visitors are scheduled to meet Chinese leaders, including President Yang Shangkun, Chairman Wan Li of the National People's Congress Standing Committee, and Vice Premier Wu Xueqian, according to Chinese sources.

Liao Hansheng Briefs Delegation

OW'2703030291 Beijing XINHUA in English
0247 GMT 27 Mar 91

[Text] Beijing, March 27 (XINHUA)—Liao Hansheng, vice-chairman of the Chinese National People's Congress (NPC) Standing Committee, held talks with a Peruvian Congress delegation led by Maximo San Roman, first vice-president of Peru and president of the Senate, here this morning.

Liao briefed the Peruvian guests on the political and economic situation in China, and on the current NPC session.

The Peruvian visitors arrived in Beijing March 26 after touring Shanghai and Guangzhou.

National People's Congress

Li Peng Delivers Report at 25 March Session

HK2503061491 Beijing Domestic Service in Mandarin
0105 GMT 25 Mar 91

["Report on the Outline of the 10-Year Program and the Eighth Five-Year Plan for National Economic and Social Development," delivered by Premier of the State Council Li Peng at the opening meeting of the Fourth Session of the Seventh National People's Congress (NPC) at the Great Hall of the People in Beijing—live]

[Text] Fellow deputies:

On behalf of the State Council, I now submit a report on the Outline of the 10-Year Program and the Eighth Five-Year Plan for National Economic and Social Development. I hereby request you deputies to examine and discuss this report along with the draft outline; and I also invite all the members of the Chinese People's Political Consultative Conference [CPPCC] National Committee and all the others who are present at this session as observers to contribute your opinions. I. The Grounds for Formulating the Outline of the 10-Year Program and the Eighth Five-Year Plan

The decade following the Third Plenary Session of the 11th CPC Central Committee—that is, the 1980's—was the decade during which the Chinese people of all nationalities made large strides along the road of building socialism with Chinese characteristics under the party's leadership. During the decade we adhered to the principle of taking economic construction as the central task and upheld the four cardinal principles, as well as reform and opening to the outside world. We opened up a general new situation in modernization, successfully fulfilled the Sixth and Seventh Five-Year Plans, and realized the first-stage strategic goal ahead of time, thus laying down a relatively sound foundation for the national economic and social development in the 1990's. Rural economy has been developing in an all-around way. By 1991, the gross agricultural output value had increased by 84.6 percent over 1981, with an average annual growth rate of 6.3 percent. The total grain output, scaling to two successive heights of 350 billion kg and 400 billion kg, further reached 435 billion kg in 1990. The output of cotton, oil-bearing crops, meat, aquatic products, fruit, and other farm and sideline products has also increased remarkably, which provides the material guarantee for feeding and clothing the people. Great progress has been made in agricultural, forestry, animal husbandry, sideline production, and fisheries. Noticeable changes have been seen in the rural economic structure. In rural areas, the proportion of nonagricultural production to the total output value increased from 31.1 percent in 1980 to 54.6 percent in 1990. Township and town enterprises have been booming very fast, and they have now accommodated a more than 90 million-strong labor force in rural areas. This has boosted the commodity economy and opened up a road to the

gradual modernization of rural China, which conforms with China's national conditions.

Industrial production has increased rapidly. By 1990, the gross industrial output value had increased by 230 percent over 1980, with an average annual growth rate of 12.6 percent. The output of major industrial products has increased by a wide margin. From 1980 to 1990, the raw coal output increased from 620 million metric tons to 1.08 billion metric tons; the crude oil output increased from 106 million metric tons to 138 million metric tons; the volume of power generated increased from 300.6 billion kilowatt-hours to 618 billion kilowatt-hours; the steel output increased from 37.12 million metric tons to 66.04 million metric tons; and the cement output increased from 80 million metric tons to 203 million metric tons. The consumer product updating cycle has been accelerated, and now there is a much wider variety of goods in terms of design and an ample supply of commodities on the market. The lack of choice and short supply of commodities that the market used to face have been changed. Both the industrial technical standard and the scientific research and development ability have been enhanced substantially, with some products and some industrial branches upgraded to the world's advanced standards.

China has also mended its pace in capital construction and in updating and transforming its industries. The total value of realized investments in fixed assets over the past decade amounted to 2,770 billion yuan, which is more than the sum of the investments made in this respect over the previous 30 years. Of these investments, the value of investments in capital construction made by enterprises under ownership by the whole people totaled 1,080 billion yuan. More than 1,000 large- and medium-sized projects, in the fields of energy, raw and finished materials, communications and transportation, postal and telecommunication service, and so on, were completed and put into operation. A total of 547 billion yuan was invested in equipment updating and technological transformation projects, and a total of 409,000 technological transformation projects were completed. A large number of key projects related to basic industries and infrastructure were completed and put on stream. Those weak links in the economy have been strengthened, both the production structure and product mix have been readjusted, and remarkable successes have been achieved in urban and rural construction, which has added to the potential for further and continuous economic development.

Breakthroughs have been made in the development of economic and technological exchanges with foreign countries. From 1980 to 1990, the total import and export volume increased from \$38.1 billion to \$115.4 billion, an increase of over 200 percent. Of this figure, the total export volume increased from \$18.1 billion to \$62.1 billion, an increase of 240 percent. The exported product mix has changed substantially, with the proportion of finished industrial products to the total export volume increasing from 49.7 percent in 1980 to 74.5

percent in 1990. Since the introduction of the reform and opening up process, China has absorbed an actual value of \$18.98 billion as direct investments from foreign businessmen; more than 20,000 enterprises run with foreign investments were established; and \$45.82 billion of foreign loans has been acquired to finance 550 projects, including civil airports, railways, highways, ports, piers, oil fields, power plants, chemical plants, and so on. These foreign investments have helped ease the shortage of construction funds in China, enabled the country to introduce a large number of advanced technological items from abroad, and promoted the enhancement of productive technological standards at home. Meanwhile, great progress has been made in the overseas project contracting business, cooperation in labor service, and international tourism.

Substantial progress was made in science and technology, education, culture, and other social undertakings. During the past decade, a total of more than 110,000 major scientific and technological achievements were made, of which nearly 10,000 won awards from the state. China now has reached or approached advanced world levels in some fields. More than 50,000 patents were issued, and a large number of major scientific and technological achievements have been popularized, which has helped enhance the technical level and economic returns of traditional industrial branches. The completion and inauguration of a large number of scientific research projects, including the positron-electron collider and the synchrotron radiation laboratory [zhong li zi jia su qi tong bu fu she shi yan shi], the success in the development of the Yinhe [Milky Way] extra-large computer, and the successful launching of submarine missiles, the Long March-2 cluster high-capacity rocket, and the Asiasat-1 telecommunications satellite all indicate that China has made new breakthroughs in the fields of high-energy physics, computer technology, carrier rocket technology, and telecommunications satellite technology.

A great many developments were also made in the field of social scientific research. By 1990, elementary education had been popularized in more than 76 percent of counties. Junior secondary education was popularized in most cities. Secondary vocational and technical education, adult education, and technical training developed rapidly. A multitiered and multiformed system of tertiary education gradually took shape with all branches and categories of learning. In the 10 years, a total of more than 4.2 million students were graduated from colleges and universities; and nearly 200,000 graduate students obtained higher academic degrees. A large number of talented personnel was thus trained for modernization construction.

New achievements were also made in the undertakings of culture, art, journalism, publishing, broadcasting, television, sports, public health, birth control, and environmental protection. This promoted the construction of socialist material and spiritual civilization. The people's living conditions were obviously improved. Most areas

of the country could get sufficient food and clothing, and some areas began to enter the condition of being comparatively well-off. In a small number of areas where the food and clothing problem had not been completely resolved, the people's livelihood was also improved to different degrees. This was a great historic achievement. In 1990, the per capita income of urban residents for the cost of living reached 1,387 yuan; the per capita income of peasants reached 630 yuan. After allowing for price increases, these figures separately increased by 68.1 percent and 123.9 percent over the 1980 level. The per capita housing floor space of urban residents increased from 3.9 square meters in 1980 to 7.1 square meters in 1990. The per capita housing floor space of rural residents increased from 9.4 square meters in 1980 to 17.8 square meters in 1990. The quantity of such high-class durable consumer goods as television sets, refrigerators, and washing machines possessed by urban and rural households increased markedly. The per capita savings of urban and rural residents in the whole country, or the balance of deposits per capita, amounted to slightly more than 40 yuan in 1980, and the figure increased to more than 615 yuan in 1990. The past decade marked one in which the people greatly improved their living conditions.

The state's economic strength also increased substantially. The gross national product increased from 447 billion yuan in 1980 to 1,740 billion yuan in 1990. According to constant prices, the GNP increased by 136 percent, and the average annual increase rate was 9 percent. The national income increased from 368.8 billion yuan to 1,430 billion yuan. According to constant prices, the national income increased by 131 percent, and the average annual increase rate was 8.7 percent. There was a richer variety of products, and the capacity of developing nature was increased markedly. The output of some major industrial and agricultural products ranked in the world's advanced places. The output of steel and synthetic fiber leapt from fifth place in the world to fourth; the output of nonferrous metal leapt from seventh place to fourth; the output of electricity leapt from sixth place to fourth; the output of coal and cement leapt from third place to first; the output of ethylene leapt from fifteenth place to eighth; the output of grain, cotton, meat, and cotton cloth remained first in the world. Because of our country's large population, the per capita quantity of various products remained at a comparatively low level; however, the increase in the overall economic strength of our nation was very impressive.

In the 1980's, the most noticeable event in our nation's socioeconomic life was the economic structural reform and the practice of opening up to the outside world. This marked the most profound change in our country in the past 10 years. It also formed the fundamental propelling force for winning the above-mentioned achievements. The success of the rural reform with the adoption of the household output contract responsibility system as its main contents promoted the development of agriculture

and of the national economy as a whole, and also promoted reform in other fields. In cities, around the central link of invigorating enterprises, corresponding reforms were carried out in the planning, finance, taxation, banking, material distribution, commercial, foreign trade, pricing, labor, and wage systems. While the economic system was being restructured, the scientific and technological work system, the educational system, and the political structure were also being reformed. Through reforms, major changes were brought about in the economic structure and pattern. The economic structure solely based on public ownership was gradually changed into an ownership structure with public ownership as the main body, with other economic elements also included. The single distribution system was also gradually changed from a unitary one into one with the system of distribution according to work as the main body and with other distribution forms as supplements. The excessively centralized structure of the planned economy was gradually changed into a structure based on the combination of the planned economy with market regulation. Economic reform aroused the initiative of all quarters and promoted the development of the social productive forces.

The implementation of the policy of opening up to the outside world enabled our national economy to mount the world stage with giant strides. We successively set up five special economic zones in Shenzhen, Zhuhai, Shantou, Xiamen, and Hainan; opened 14 coastal cities including Dalian, Tianjin, Shanghai, and Guangzhou; and set up 13 economic and technical development zones as well as the Chang Jiang delta, the Zhu Jiang delta, and the southern Fujian delta, as well as the open economic zones in the Shandong peninsula and the Liaodong peninsula. In 1990, the central authorities decided to develop and open up the Pudong district of Shanghai. The opening up by land to the peripheral countries adjacent to China has gradually unfolded. Opening up to the outside world has instilled new vigor in our national economy.

The achievements we made in the 1980's were great, but we have no cause for complacency. While experiencing the profound historic changes brought about by reform and opening up, we also traversed a long course of deepening our understanding of objective laws and accumulating our practical experiences. We had certain shortcomings and made certain errors in our practical work. The main problems were that political and ideological education was neglected for a time; one hand was tough while the other hand was soft in the building of material and spiritual civilization; and there was over-anxiety for quick results in economic development and reform, thus causing an overheated economic condition and inflation for a time. Some aspects of the national economy were excessively dispersed, and this weakened the state's macroeconomic control capacity.

Since the Fourth Plenary Session of the 13th CPC Central Committee, under the leadership of the party Central Committee with Comrade Jiang Zemin as the

core, through seriously summing up our experience, we have maintained what is correct, perfected what is deficient, and corrected what is erroneous. A turn for the better has appeared in the ideological and political field. Economic improvement and rectification have achieved marked results. Inflation has been effectively curbed, and it has fallen by a margin. We reaped good harvests for two consecutive years. The growth speed of industrial production has basically returned to the normal level. Exports have been increasing continuously. The economic order has obviously been improved. In the course of economic improvement and rectification, reform and opening up have not been halted but have continuously deepened and developed. All this has created greatly favorable conditions for further reform and opening up. The national economy has kept growing at an appropriate speed under rather difficult conditions. In 1990, the gross national product increased by 5 percent; the total agricultural output value increased by 6.9 percent; the total industrial output value increased by 7.6 percent.

These achievements were made by the whole people throughout the country through working hard as one and surmounting numerous difficulties by making joint efforts. So the achievements did not come easily. We also soberly notice that many contradictions and problems in socioeconomic life still exist. Such problems as products being stockpiled in large quantities and the economic circulation not being smooth enough have not been settled yet. The situation in which economic results are poor and the industrial structure is unreasonable has not been fundamentally changed. The state's financial difficulties remain; there remains an outstanding contradiction between revenue and expenditure; and the economic structure remains imperfect in many aspects. Under the stable and united political situation, some unstable factors still exist. We must squarely face these problems and seriously resolve them, and we must not take them lightly.

Our nation's practice of carrying out reform, opening up, and conducting modernization construction in the 1980's has provided extremely rich experience, and it can be summarized into one point—that is, it is necessary to integrate the universal truth of Marxism with our country's specific conditions and to take our own road in building socialism with Chinese characteristics.

The most fundamental reason we were able to achieve great successes in the 1980's and to make continuous advances over the past two years under the situation that there were both foreign pressures and internal difficulties, and enabling socialist China to stand rock-firm in the east of the world, is that we have followed the road of building socialism with distinctive Chinese characteristics.

Practice once again incontrovertibly proves the creativity of Marxism and the vitality of the socialist system. Although we may still encounter all kinds of difficulties in our advance, provided we firmly and

unswervingly follow this correct road, China's socialist modernization drive is certainly full of promise. II. The Main Objectives of Struggle and Basic Guiding Principles.

The strategic arrangement of carrying out our socialist modernization and reaching our goal in three general steps correctly reflects the objective course of realizing modernization in our country, which is economically and culturally undeveloped. The basic solution of the problem of food and clothing indicates that our country's socialist modernization drive has already gone through an important development stage. In the next decade, we must realize the strategic targets of the second step and increase our national economy and social development to a new level. This is a more important development stage of our modernization drive.

In accordance with the spirit of the CPC Central Committee's proposals on drawing up the 10-Year Program and the Eighth Five-Year Plan for National Economic and Social Development, this outline puts forth the basic demands for reaching the strategic goals of the second step. The main demands are: On the basis of vigorously increasing economic returns and optimizing the economic structure, to quadruple the 1980's gross national product by the end of this century, calculated according to constant prices; to enable the people throughout the country to lead a relatively comfortable life instead of merely having enough food and clothing; to develop educational cause, promote science and technological progress, improve economic management, readjust the economic structure, and strengthen the construction of major projects, so as to lay a material and technological foundation for a sustained economic and social development in our country in the early years of the next century; to set up an initial economic structure and an operational mechanism of the planned socialist commodity economy based on the public ownership of the means of production, which are characterized by the combination of the planned economy and market regulation; and to enable the building of socialist spiritual civilization to reach a new level and socialist democracy and legal system to be further perfected.

The above-mentioned basic demands of the strategic goals of the second step reflect the historical course of our country's national economic and social development and express the eager desire and lofty aspirations of the people of all nationalities throughout the country in rejuvenating China and making the country strong and the people rich. The main ideas of these demands are: First, emphasizing the importance of taking economic construction as the center and regarding economic development as the basis for improving the people's livelihood and promoting social progress. There are not only definite demands on the speed and quantity of economic growth but also greater importance is attached to the quality of economic growth and the quality of the national economy as a whole. Second, emphasizing the continuation of deepening economic structural reform,

opening up wider to the outside world, strengthening the building of socialist spiritual civilization and socialist democracy and legal system. This will provide the realization of the strategic goal of the second step and the continuous development in the early years of the next century with a guarantee in the economic, structural, political, ideological, and other fields.

This outline requires that the GNP will be increased by an average of about 6 percent annually in the next decade. This is a positive demand with some margin left. Although this growth rate is a bit lower than that of the past decade, and because the current economic scale is much larger than 10 years ago, the increase by each percentage point in the future will imply a much higher absolute value. If we reach this average growth rate, we will be able to reach the set objective of quadrupling the 1980 GNP by the end of this century. If we maintain a growth rate of about 6 percent successively in the next 10 years on the basis of the rapid economic development in the 1980's, our country's national economic and social development will surely reach a new and higher stage by the year 2000. By that time, although the per capita GNP of our country will still be comparatively low, as our distribution system is more reasonable and polarization is avoided, as we uphold common prosperity, in general, all the people will be able to lead a relatively well-off and comfortable life.

Since New China was founded, we have basically solved the problem of food and clothing in about 40 years. Now, in the next decade, we will develop from having enough food and clothing to leading a comparatively comfortable life. Undoubtedly, this is a magnificent and arduous historical task.

China's economy is still undeveloped, and there is a great pressure caused by population growth. Without a certain economic growth rate, it is impossible for us to solve all kinds of economic and social contradictions, improve the people's livelihood, and gradually realize modernization. When conditions allow, we should endeavor to strive for a higher speed of economic development; however, we should not be overanxious for quick results in construction. An excessively high demand for speed usually results in economic instability. According to our historical experience and the realistic economic trend, the key to our country's economic development lies in optimizing the economic structure and increasing economic returns. In the next decade, we must maintain a medium rate of growth at about 6 percent. This is to prevent the erroneous practice of one-sidedly pursuing quantity and speed so that we can create conditions for maintaining important and major proportionate relations and improve the quality of economic growth and the quality of the national economy as a whole by promoting science and technological progress. Only speed on such a basis is a real and unexaggerated speed with a staying power. At the same time, only by maintaining a suitable growth rate for a long time and preventing fluctuations can we create a relatively relaxed environment for further harmonizing

economic relations. This is also needed by deepening the economic structural reform.

The basic guiding principles for the 10-Year Program and the Eighth Five-Year Plan are already clearly stated by the proposals of the CPC Central Committee. In our national economic and social development in the next decade, we must firmly and resolutely implement these principles. The main basic guiding principles are: First, to firmly and unswervingly take the road of building socialism with distinctive Chinese characteristics. Since the Third Plenary Session of the 11th CPC Central Committee and the 12th and 13th CPC National Congresses, on the basis of making a profound summary of historical and practical experiences, a basic line of taking economic construction as the center, upholding the four cardinal principles, and upholding reform and opening up as well as a series of effective policies and principles have been mapped out for our party in the initial stage of socialism. The CPC Central Committee's proposals and its basic theories and practice of building socialism with distinctive Chinese characteristics have made a penetrating summation of the following 12 main principles: To adhere to the people's democratic dictatorship led by the working class and based on the worker-peasant alliance and continue to perfect the system of people's congresses and the system of multiparty cooperation and political consultation under the leadership of the CPC; to make continuous efforts to consolidate and develop the most extensive patriotic united front and endeavor to strengthen socialist democracy and socialist legal system; to continue to regard the development of social productive forces as the fundamental task of socialism and concentrate our attention and efforts on successfully carrying out the modernization drive; to continuously increase the standard of the people's material and cultural life; to continuously improve the socialist economic and political structures and the management systems in other fields through reform and fully mobilize the initiative, enthusiasm, and creativity of both the central and local authorities and the enterprises as well as the broad masses of laboring people; to continuously expand the scale of opening up to the outside world by various means, including developing foreign economic and trade relations, using foreign funds, and importing advanced technologies and by establishing special economic zones and economic development zones and implementing necessary special policies and flexible measures; to adhere to the ownership structure under which the socialist public ownership is the main body and the diverse economic sectors exist at the same time, to give play to the roles of the individual, private, and other economic sectors as supplements to the public sector of the economy, and to strengthen correct guidance and management for them.

We must vigorously develop a socialist planned commodity economy, integrate a planned economy with market regulation, and bring about a sustained, steady, and coordinated development of the national economy. We must continue to use the income distribution system

with "to each according to his work" as the main element, supplemented by other forms. We allow and support some people and regions to become well-off ahead of others by means of honest labor and lawful operations. We encourage those who have become well-off first to help those who have not so that it will be conducive to the gradual attainment of common prosperity of all the people and various regions. With Marxism-Leninism-Mao Zedong Thought as our guidance, we must inherit and carry forward China's splendid cultural legacy, take as reference and assimilate all outstanding cultural achievements of the world, continuously improve the nation's ideological, moral, scientific, technological, and cultural qualities, and build socialist spiritual civilization. We must establish and develop socialist nationality relationships based on equality and mutual aid, unity and cooperation, and common prosperity; uphold and perfect the system of regional autonomy; and oppose nationality discrimination, oppression, and splitting. In light of the concept and practice of "one country, two systems," we must gradually realize the great cause of national reunification. We pursue an independent, peaceful foreign policy and develop friendly relations with all countries based on the five principles of peaceful coexistence. We oppose hegemonism and power politics, support the just struggles of the oppressed nations and people, safeguard world peace, and promote human progress. We must uphold leadership of the Communist Party, continuously improve the system, style, and methods of party leadership, and strengthen the party's political, ideological, theoretical, and organizational building so that our party can always be a firm core of leadership of the socialist cause. Some of these 12 points are basic principles that we have upheld over the decades. Under new historical conditions, there have been new developments and contents. Some constitute the summary of fresh experience of reform, opening up, and modernization program over the decade or so. As the crystal of wisdom of the whole party and the people of all nationalities, they embody Comrade Deng Xiaoping's outstanding contribution to the inheritance and development of Mao Zedong Thought under new historical conditions.

Since the Third Plenary Session of the 11th CPC Central Committee, we have traversed on the road of building socialism with Chinese characteristics based on the general outline of these 12 points. As a result, we have achieved world-acknowledged successes in practice. The fundamental guarantee for realizing the target of the 1990's is to uphold the road of building socialism with Chinese characteristics.

Second, unswervingly push forward reform and opening up.

The key to comprehensively implementing the principles and policies for building socialism with Chinese characteristics lies in unswervingly carrying out reform and opening up. With the efforts made in the 1980's, we have made major progress in economic structural reform. The structure of opening up to the outside world has basically

taken shape; however, the defects of the original system are not yet totally eliminated. New contradictions and problems have emerged in the course of development, which must be appropriately resolved.

To smoothly realize the second-step strategic objective amid the numerous problems in current economic life and remain invincible in the sharp international competition, we must continue to deepen reform and open wider to the outside world. Our reform is self-perfection and self-development of the socialist system. The purpose is to promote the productive forces and all-around progress of society, and constantly increase the vigor and vitality of socialism. One of our most important experiences is to organically integrate reform and opening up with the constant perfection of the socialist system. Experience at home and abroad has proven that we can go nowhere without reform and opening up. We also cannot carry out reform and opening up without a correct orientation. In the future, we must continue to uphold the socialist orientation and make explorations to constantly deepen reform and make further successes of opening up.

Third, steadfastly implement the policy of a sustained, steady, and coordinated development of the national economy. This policy, a summary of both positive and negative historical experience covering a long period of time, constitutes an important guarantee for attaining our target by the turn of the century. Sustained means maintaining a moderate annual economic growth; steady means advancing steadily and avoiding drastic fluctuations; and coordinated means developing proportionally. The three factors of sustained, steady, and coordinated are closely related to each other. Coordinated is the basis of sustained and steady development. A proportional growth is a reasonable one in which we can maintain sustained, steady development. To develop the national economy in a sustained, steady, and coordinated way, the most important thing is to make efforts to maintain a balance of social general demand and supply, and avoid the tendency of eagerness for quick successes. We must fully tap the potentials of various resources and promote economic growth as well as prevent excess distribution of national income, which may lead to inflation. We must maintain unity of growth and efficiency, and always regard an increase in economic efficiency as the key to the entire economic work.

Fourth, unflinchingly carry out the policy of maintaining independence and keeping initiative in our own hands, self-reliance, plain living and hard struggle, and building the country through diligence and thrift. The policy of self-reliance does not contradict the open policy, but instead, they are unified. Opening up to the outside and making use of foreign technology, experience, and capital will be conducive to enhancing China's capacity of self-reliance. Moreover, only by upholding self-reliance and basing ourselves on our own strength can we more satisfactorily open wider to the outside world. We shall continue to open wider to the outside world in the 1990's and strive to make greater progress in foreign trade and

in attracting foreign capital, technology, and intellectual resources. At the same time, we must depend more on domestic capital and our own strength to carry out construction. We must overcome the difficulties of relative shortages of resources and funds for economic construction. The most important thing is to do our utmost to save all financial, material, and human resources that can be saved, and eliminate the practices of serious waste in production, construction, circulation, consumption, and other fields. In the coming decade and the entire period of socialist modernization, it is necessary to firmly foster the idea of plain living and hard struggle.

Fifth, adhere to the principle of simultaneously building material and spiritual civilization. We must always remember that our modernization program is a socialist one. While promoting the building of material civilization, it is necessary to strengthen the building of spiritual civilization and overcome the practices of stressing one at the expense of the other. The building of spiritual civilization is our important objective as well as an essential guarantee for promoting the building of material civilization. Only by paying close attention to the building of spiritual civilization can the people have a correct orientation for their advance. Our genuine superiority lies in our firm faith in socialism as the cohesive force of the nation. To strengthen the building of socialist spiritual civilization, we must rely on the close cooperation and concerted efforts of all departments and fields, assumption of their responsibilities, faith in the masses, conscious participation, and fulfillment of the tasks down to the grass-roots levels.

The above-mentioned basic guidelines have illuminated the orientation for us to continuously advance and the correct way to attain the second-step strategic objective. In the work in all fields in the coming decade, we must maintain the continuity and stability of the basic line, principles, and policies and comprehensively put them into implementation. On the premise of keeping the basic principles unchanged, we must continue to perfect and develop the specific policies and measures.

Our present main task is that throughout our work we should implement to the letter the guiding principles, policies, and measures which have been defined. The outline submitted to this session for examination and discussion is based on consideration of integrating the Five-Year Plan with the 10-Year Program, because many problems of economic and social development are characterized by their continuity. Very often some major construction items, projects of tackling key scientific and technological problems, training of talented personnel, and so on cannot be completed in a single five-year plan. We should formulate our five-year plan on the basis of the general trends of economic development of the coming 10 years and the targets of struggle. We should further widen our vision. Because there are many uncertain factors in social and economic development, in the outline our 10-year programs cannot be worked out in too detailed a manner. We can only set our main targets,

basic tasks, major guiding principles and policies, as well as several other important targets. Since the Eighth Five-Year Plan must be pursued now, we can set more targets and more specific items for it; however, the focal points must be concentrated on the direction, tasks, and policies for economic and social development, and the overall arrangements for reform and opening up. A more detailed and specific plan will be reflected in our annual planning.

In the course of pursuing the Eighth Five-Year Plan, we should still make necessary readjustment or substantiation of the present targets in light of practical conditions. During the later stage of the Eighth Five-Year Plan period, we will still work out the Ninth Five-Year Plan. At present, our task of improvement and rectification has not yet been completed. In the first year or longer of the Eighth Five-Year Plan, we should continue to carry out improvement and rectification. We should strive for development amid improvement and rectification. After we change over to normal development, we should continue to fulfill certain tasks left over from improvement and rectification.

The year 1991 is the first year of implementing the 10-Year Program and the Eighth Five-Year Plan. It is also the first year of continuing to carry out improvement and rectification, and deepening the reform. It is of great significance to do this year's work well. We should concentrate our energies on grasping economic work. Under the prerequisite of ensuring aggregate balance, readjusting economic structure, and enhancing economic results, we should maintain the increase of our economic development speed.

We should draw a lesson from our previous experience in relaxing agriculture after reaping a bumper harvest. We should continue to strengthen and develop agriculture. We should take firm and forceful measures to invigorate state-owned large and medium-sized enterprises, and achieve substantial progress in this regard as early as possible. We should conscientiously organize the activities of the year of quality, variety, and efficiency. Moreover, we should continue the activities year after year until we truly achieve results.

We should strengthen financial and tax collection work, and exercise control over institutional consumption. We should make efforts to increase production and practice economy, increase income and reduce expenditure, and shorten the difference between financial revenue and expenditure. In accordance with the requirement of integrating planned economy with market regulation, we should continue to deepen our reform. While grasping well economic work, we should strengthen ideological and political work to promote the building of socialist spiritual civilization in both urban and rural areas. We should strengthen the comprehensive management of social order. We should make efforts to maintain social stability and normal order. We should make efforts to provide our people with good working and living environments. We should conscientiously do various work

for this year to strive for a good beginning of the Eighth Five-Year Plan. III. Economic Construction.

Regarding economic construction for the coming 10 years, our starting point as a whole is that in accordance with the requirement of fulfilling the strategic targets of the second stage, we should make efforts to maintain the sustained, stable, and coordinated development of our national economy with the enhancement of economic results as a center. The outline has mainly considered the following important issues:

First, we should continue to make efforts to maintain the balance of our economic aggregate. In the coming 10 years and in the Eighth Five-Year Plan period, we should guarantee to satisfy the needs of various quarters for construction funds. In the meantime, we should ensure gradual improvement of our people's livelihood. There are a lot of contradictions facing the balance of our economic aggregate. We should maintain a fundamental balance between total social demand and total social supply to avoid the problem of earmarking an excessive proportion of the national income for consumption, and excessively high inflation. This is an extremely important issue.

Judging from historical experiences, we realize that the abrupt rise and fall in economic development was mainly the result of thinking one-sidedly seeking a high-speed, excessively large construction scale, and expansion of consumption funds, which leads to an imbalance of the economic aggregate and eventually makes it necessary to readjust excessively high major economic targets. Judging from the practical conditions over the past two years, we know that the reason why we can achieve marked results in improvement and rectification is, first of all, we have done a pretty good job in controlling economic aggregate. In the coming 10 years, we should continue to maintain the sustained, stable, and coordinated development of our national economy to avoid the occurrence of great twists and turns. The most important thing is still to maintain the balance of our economic aggregate. In particular, we should maintain the balance of finance, credits, incomes, and expenditures in foreign exchange, and goods and materials, and the comprehensive balance among them.

Regarding economic construction and the arrangements for our people's livelihood, we should act according to our capability. The scale of investments in fixed assets should conform with practical local conditions. The increase of consumption in life must conform with the development of production. Because we still need some time to markedly enhance our economic results, fundraising during the Eighth Five-Year Plan period will still basically maintain the existing pattern of financial responsibility system. This constrains the growth of the financial revenues of the state and central government. On the other hand, investments in key construction projects, national defense expenditure, and funds for developing scientific and educational undertakings must be properly increased. The large amount of enterprise

deficits, price subsidies, and other expenditures every year can only be gradually reduced; therefore, it is very difficult to balance financial revenues and expenditure. Every year there is always a certain amount of financial deficits. We should do everything possible to broaden sources of income and reduce expenditure, and do our best to reduce our financial deficits.

Presently, there has been an urgent demand by various quarters to get financial allowances and preferential treatment. We should be determined not to set a new precedent. We should avoid the occurrence of a new round of tax reductions and profit concessions. Bank credits should continue to pursue the guiding principle of stabilizing currency and exercise control over currency aggregate. We should readjust structure and put the amount of monetary issue and the total amount of credits within a rational and necessary scale of economic development to avoid inflation.

We should make efforts to increase the settlement of exchange and foreign exchange collection in foreign trade, and foreign exchange collection from noncommercial sectors. We should maintain proper imports and a rational scale of foreign debts. Currently, the total amount of projects to be carried out in the coming 10 years and the Eighth Five-Year Plan period by various localities and departments has far exceeded the possibility of the supplies of funds, goods, and materials. From the angle of certain departments or localities, some projects should be carried out, and some projects have been discussed and examined; however, judging from the situation as a whole, our financial and material resources are limited. We cannot but follow an order of importance and urgency, act according to our capacity, and make our choice. The construction projects listed in the outline are to be successively carried out in the coming five to 10 years. The scale of annual investment must be arranged in accordance with the possibility of fund supplies. Balance should be roughly maintained between years. We should proceed in an orderly way and advance step by step. We should avoid promoting construction projects in a rush, and muddling things up.

Second, great efforts should be made to adjust the industrial structure to promote its rationalization and gradual modernization. After economic construction, reform, and opening up in the 1980's, a positive change has taken place in China's industrial structure. Agriculture and the consumer goods industry have been strengthened, tertiary industry has been speeded up, and new emerging industries are developing. But the irrational industrial structure, which has long existed, has not fundamentally changed. New contradictions and problems have cropped up in the course of development. Main problems in the current production structure are: The basis of agriculture is still weak, there is inadequate development in basic industries and basic facilities, the total scale of the processing industry is too big, technological and professional levels are low, and tertiary industry cannot cope with economic development or the

people's needs. Following the improvement of the people's income and their quality of life in the coming 10 years, expansion of the consumption field will proceed selectively. Following the development of industrialization and the transfer of the agricultural population to nonagricultural undertakings, the development of foreign economic and trade relations requires us to pay more attention to adjusting the industrial structure. We should also understand that following the development of the scientific and technological revolution, an industrial structural reorganization and upgrading have taken or are taking place throughout the world. Whether or not we can seize this opportunity to speed up our industrial structural adjustment to raise it to a new grade not only has an important bearing on the materialization of the second-step strategic objective, but also has far-reaching influence on the entire process of the modernization drive.

In view of this situation, the outline puts the industrial structural adjustment in a prominent position in economic construction for the coming 10 years. The main requirements are: Agriculture should be strengthened and developed vigorously, and overall development should be made in the rural economy.

In the 1990's, we are facing these contradictions: On the one hand, following the population growth, we will shift to a comparatively better-off level, and the demand for agricultural products will increase continuously. On the other hand, the comprehensive agricultural production capacity is unlikely to increase rapidly. The per capita cultivated area is decreasing. Above all, affected by the weather and other natural factors, the task of developing agriculture will still be very arduous. The outline stipulates that agricultural output should reach the two levels of 450 billion kg and 500 billion kg in the 1990's. There are also explicit requirements for increasing the production of agricultural products such as cotton, oil-bearing crops, and sugar-bearing crops as well as for the development of forestry, animal husbandry, and fishery. The outline also puts forth a series of important measures to fulfill the agricultural development task and program. These include: Continuously deepening rural reform; stabilizing and improving the output-related contracted responsibility system on a household basis; developing all forms of the social service system; gradually improving the strength of the collective economy; perfecting the management system whereby unified management is combined with separate management; increasing agricultural input; strengthening the work of harnessing big rivers; carrying out capital construction of water conservancy projects; persisting in afforestation; doing well in flood control and fighting drought; paying further attention to invigoration of agriculture through science, technology, and education; making efforts to reform and improve the circulation system for agricultural products and earnestly strengthening management in this respect; treasuring and rationally utilizing land and water resources; promoting the healthy development

of township and town enterprises; and so on. Governments at all levels should follow these requirements and conscientiously organize their implementation.

Strengthening the construction of basic industries and basic facilities is an important task for the coming 10 years. Through improving and rectifying the economy and adjusting the structure over the last two years, the strains on basic industries and basic facilities have relaxed a little. A surplus of some products appeared in some localities for a time. This was a temporary situation under economic retrenchment. In the long run, basic industries and basic facilities will remain weak links in China's economic development. Because the construction period of basic industries and basic facilities is long, their investments are big, and their prices and returns are too low, we are required to make early arrangements for the formulation of an investment policy oriented to this, to raise necessary funds through numerous channels. The outline has also made detailed arrangements for the construction of industries concerning energy, postal and telecommunications services, and important raw materials. As in the First Five-Year Plan, during which we succeeded in the construction of 156 key projects, we should concentrate our efforts and work in coordination with each other in carrying out the construction of a number of key projects with high quality and efficiency, so that these projects will possess a production capacity on schedule. It is necessary to appropriately increase bank loans for coal, power supply, and railway construction funds to ensure key construction needs. It is necessary to gradually adjust and straighten out the prices and costs of basic products, to strengthen the development ability of basic industries, and to strengthen geological prospecting work so that it will develop in coordination with key construction. Under the precondition of ensuring state key construction and within the framework of state policies, local governments should raise funds in numerous ways in light of their specific conditions for the construction of basic industries and basic facilities.

Major efforts should be made to reorganize, transform, and improve the processing industry. The scale of China's processing industry is not small. The focus of development for the coming 10 years, through deepening reform, adjusting the structure, strengthening management, and carrying out technical transformation, is to fully display enterprises' potential and raise them to new levels. It is necessary to retrench those parts of the processing industry's production capacity that exceed rational demand and to scrap a number of backward products that consume high energy, function badly, and produce serious pollution. In accordance with the needs of the scale economy, it is necessary to adjust enterprises that produce small batches of commodities at high cost and whose economic results are bad, to promote work division and combination between specialized units, to popularize new skills and technologies, to develop new products, and to improve product quality in order to suit the needs of domestic and overseas markets.

We will actively develop the building industry so that we will advance from having sufficient food and clothing to having a relatively comfortable life, and the improvement of people's livelihood will be reflected by the improvement of their living conditions.

To keep pace with the needs of economic development and the people's livelihood, the outline prescribes that the building industry will develop substantially during the next 10 years. Based on experiences gained at home and abroad, the building industry can become one of the important pillars of economic development. The building industry must upgrade its technology and management in accordance with the principle that quality must be given priority. We should ensure quality, strive to lower production costs, and actively promote the use of new construction materials produced domestically in all construction projects.

We should expedite the development of tertiary industry. Considering tertiary industry's important role in economic development and the people's livelihood, and its relatively backward development at present, the outline attaches full importance to the development of tertiary industry. The development of tertiary industry will place priority on commerce, material supply, banking, insurance, tourism, and other services essential for production and the people's livelihood. The development of tertiary industry is very significant for alleviating employment pressure, accumulating capital, enlivening the urban and rural economy, enhancing economic restructuring, and improving the overall performance of the national economy and the quality of the people's livelihood. Due to lack of experience and failure in sustaining management during the 1980's, certain complications appeared. Thanks to efforts to restore order, we have solved these complications. We must give tertiary industry active support and guidance and improve its management, so that it can develop more quickly and more soundly.

3. We will bring about a rational division of work and coordinated development in the regional economy.

The rational distribution of productive forces and economic cooperation between regions are extremely important issues in China's economic construction and social development. China is a sprawling country; therefore, its economic development and distribution of resources vary greatly from region to region. Correctly handling the relationship between national and regional economic development, as well as the relationship between regional economies, not only has a bearing on the development of their various strengths and rational economic development, but also on the country's unification and the unity among people of all nationalities in the country.

In the 1980's, both the national and regional economies developed, and the distribution of productive forces underwent change. Yet there also existed some irrational phenomena, as well as problems worthy of our attention.

The main problems were: There were too many overlapping construction projects in various localities, there was duplication of industrial structures, the disposition of resources was irrational, and the problems of barriers between regions and division of markets were serious. These problems hampered the rational cooperation in production and the circulation of commodities. In the next 10 years, we will achieve a rational distribution of productive forces in accordance with the principle of overall planning, reasonable division of work, use of strong points to complement each other, coordinated development, consideration of each other's interests, and common prosperity. To this end, it is imperative to deal properly with the following three relationships:

First, we should deal correctly with the relationship between using favorable conditions in various localities and overall nationwide planning. The state should encourage and support all localities to use its favorable conditions and gear up guidance and coordination, so that all localities will be able to develop industries for which they have favorable conditions. At the same time, it is necessary to strengthen the rational division of work in the collective economy by proceeding from the augmentation of the overall benefit of the national economy. The nationwide unified economic system and unified market are the objective requirements for developing the commodity economy and socialized mass production. This also shows the potential for developing the advantage of the collectives. The building of barriers between regions and the division of markets adversely affect the rational distribution of productive forces and the optimal disposition of resources and hamper the efforts to use favorable local conditions. Development of the regional economy should meet the requirements of the state production policy. In formulating the state production policy, however, attention must be paid to using favorable conditions in various localities. Only in this way is it possible to promote the simultaneous development of national and regional economies.

Second, correctly handle the relationship between areas with rich resources and areas with concentration of processing industry. Areas with concentration of processing industry, especially the economically developed areas along the coast, should actively develop industries with a fairly high technical level as well as exchange-earning export products; reduce the consumption of resources; and enable industries that consume a lot of energy and raw and semifinished materials as well as those that require fairly big transport volume to develop faster in places with rich energy and other resources.

In addition to speeding up the development of resources, places with rich resources should appropriately develop some processing industries. It is necessary to pay attention to construction of east-west trunk communication lines and to promote exchanges between the coastal areas and the hinterland in commodities, funds, technology, and qualified personnel.

Third, correctly handle the relationship between economically developed and economically underdeveloped areas. Uneven economic development and differences in living standards between localities have been caused by historical, geographical, and other factors. In the wake of economic development, the state and economically developed areas should work hard to help the economically underdeveloped to change their faces, so that all localities will make progress and achieve common prosperity.

It is necessary to continue to implement the existing policies of supporting development in minority nationality areas, poor areas, the old revolutionary base areas, and border regions, and to strive to fundamentally solve the problems of food and clothing of the poor people in these localities in the next years, so that the economic outlook and the people's living standards will undergo remarkable improvement. Economically backward areas should vigorously develop agriculture, forestry, and animal husbandry; construct highway, electricity, irrigation, and other infrastructure facilities, as well as other projects of the processing industry; and increase their ability to develop through self-reliance, to gradually improve the conditions for production and livelihood.

The state should continue to extend financial, material, and technical support to these areas and will make plans for some mining, irrigation, transport, and industry projects in order to boost economic development in these localities.

In the next 10 years, the state will also implement the policy of providing work in place of relief in the poor areas, increase the peasants' labor input, and transform the sloping fields and medium- and low-yield farmlands to create the minimum conditions for solving the food and clothing problems of the people.

The economically developed coastal provinces and municipalities should sign agreements or contracts separately with economically underdeveloped provinces and autonomous regions, adopt many forms to establish mutually supportive relationships among corresponding departments, and help them speed up economic development.

Fourth, we should always improve economic efficiency as the central task of our economic work as a whole. Improving economic efficiency is an important task in economic construction in the next decade. For years we have talked about improving economic efficiency as the central task; progress has been made in many fields. Generally speaking, however, the situation of poor economic efficiency has yet to be basically changed. High consumption in production, low product quality, enormous waste in construction, slow capital turnover, low labor productivity, and serious losses incurred by enterprise are still widespread. Many technical and economic indexes not only conspicuously lag behind those of economically developed countries, but some are even lower than the highest standards we attained in the past.

The gap between backward and advanced enterprises in the same trades is also very big. Poor efficiency is the crucial reason for many difficulties in our economic life.

In the next decade and during the entire period of the modernization drive, we will be faced with a large population, arduous tasks and construction, shortages of funds, backward basic industries and infrastructure, and the contradiction of relatively inadequate per capital resources. We shall get nowhere relying on extensive management that wastes natural resources. It is imperative to make vigorous efforts to improve economic efficiency and to take the road of planned management.

The outline calls for lowering the consumption of standard coal from 9.59 tonnes to 8.50 tonnes for every 10,000 yuan of the national gross product during the Eighth Five-Year Plan. There should be a yearly average increase of 3.5 percent in labor productivity throughout society. The turnover of circulating funds in state industrial enterprises included in the budget should be shortened from 127 days to 95 days. Some other targets are also set for improving economic efficiency quantitatively. We should take effective measures and work hard to achieve such targets in order to gradually and basically change the situation of poor economic efficiency.

Technological transformation is a fundamental way to improve economic efficiency. China has abundant industrial technology and a large number of enterprises; therefore, production and construction work in the next decade will mainly be shouldered by existing enterprises. Currently, the equipment and production technology of many enterprises are old and out-of-date and urgently need to be modernized. Over the Eighth Five-Year Plan and the next decade, we should modernize existing enterprises with advanced technologies, equipment, and production technology. Focusing on modernizing production technology and equipment, we should ensure the supply of goods and tackle key production problems.

The machine-building industry should strive to raise its level to better serve national economic development and meet various departments' demand for better technology and equipment. The outline states that, during the Eighth Five-Year Plan, the state will select a large number of large and medium-sized backbone enterprises and a number of important products to be used as major objects for technological transformation and as a starting point of technological transformation. We should strive to make products of these enterprises comparable to or to reach current international standards. All localities and departments should also strive to transform the technology of a number of key enterprises and products in order to pave the way for the development of medium-sized and small enterprises and township and town enterprises. Efforts in technological transformation should be focused on conserving energy, reducing the consumption of raw and processed materials, improving

the quality of products, expanding the capacity to produce famous brand-name products, high-quality products, new products, and export products, and on preventing pollution. In addition, we should step up efforts to make comprehensive use of resources; we should strive to popularize scientific and technological research results that require small investment and that will yield good and quick economic results; we should continue to implement the Spark Plan and the Harvest Plan; and we should accelerate the process of transformation from scientific and technological research results to productive forces.

While speeding up the technological modernization of conventional industries, we should continue to implement the Torch Plan, manage well-established high and new technology development zones, and speed up the commercialization and industrialization of high and new technologies and the proliferation and infiltration of these technologies into conventional industries.

The electronics industry's role in the entire economic and social development has become increasingly prominent. Therefore, we must accelerate the development of the electronics industry and place it in an important position. In addition, we should closely integrate the electronics industry with the development of the precision tool and machine and equipment building industry in order to enable wide use of electronic technology in economic development and social life. We should continue to introduce advanced technologies from foreign countries, make earnest efforts to assimilate and apply them, and strive to improve them.

A low managerial level is an important cause of poor economic efficiency. At present, waste of financial and material resources and manpower is serious and widespread in production, construction, and circulation. Their potentialities are far from being tapped. Therefore, we must attach importance to strengthening management as an important link in raising economic efficiency, strengthen and improve macroeconomic management to improve the scientific nature and effectiveness of state planning, and promote an overall, rational distribution of natural resources. In strengthening enterprise management, we should especially strengthen our leadership over and guidance for front-line production, strictly practice the responsibility system, step up our basic work, and raise the quality of workers as a whole. The experiences of many advanced enterprises prove that by so doing, more and better products will be produced by the same equipment and the same people. We should carry on an extensive and persistent campaign to increase production and practice economy and increase revenue and retrench expenditures in various sectors of society. We should make careful calculations, fight waste, and do more work with less money.

Fifth, it is essential to promote scientific and technological progress, develop education, improve the quality of the national economy as a whole, and promote social progress in an all-round way.

Science and technology are the primary productive force. Today, many countries in the world depend to a large extent on the development of science and technology for developing their productive forces and building up their comprehensive national strength. International economic competition increasingly manifests itself in competition in science and technology and by talented people. We should conscientiously place the development of science, technology, and education in a very important strategic position in order to noticeably raise economic efficiency, increase comprehensive national strength, and gradually narrow the gap between our country and developed countries. Thus, we will be able to get economic construction onto the track of depending on scientific and technological progress and raising the quality of workers.

In developing science and technology, we should continue to implement the principles that economic construction must rely on science and technology and that scientific and technological work must be geared to the needs of economic construction. This is not only aimed at promoting economic development, but it is also the only way for the development and prosperity of science and technology themselves. We should continue to deepen the reform of the scientific and technological management system and gradually institute a system of combining the introduction of technologies and the development of new technologies, combining application and popularization of such technologies, and making them promote each other. We should regard the development of the national economy as the main battlefield for scientific and technological work; we should speed up the transformation of scientific and technological achievements into practical productive forces. Overall planning and rational manpower arrangements should be made for scientific and technological work in research at the three levels of applied technology, high technology, and basic sciences, in order to promote China's all-round development economically, scientifically, and technologically. We should pay attention to and follow the developing process of new technologies in the world and strive to make new achievements in biological engineering, electronic information technology, automation technology, high and new technological materials, new energy resources, aeronautical and space technologies, marine engineering, lasers, superconductivity, communications, and other high-technology fields.

The key to accelerating scientific and technological progress lies in stabilizing and improving the policies in this regard, taking practical and effective measures, increasing investment in scientific and technological research, gradually establishing and improving rules protecting intellectual property rights, and bringing the patent system into full play in developing science and technology.

Improving the quality of the whole nation through developing education is a fundamental policy of our

socialist modernization drive. China requires large numbers of specialists and hundreds of millions of well-educated workers for its modernization cause. We will continue to deepen educational reform, intensify educational and scientific research, and strive to implement the educational principles of the party and state.

To cultivate morally, intellectually, and physically developed socialist constructors and successors who will serve the modernization cause, we must, in accordance with the actual needs of our modernization programs, place the emphasis of educational work on improving the quality of education and educational efficiency. By the year 2000, we will have universalized compulsory primary education throughout the country, basically universalized compulsory junior high school education in cities and towns and in economically developed rural areas, and basically wiped out illiteracy among young people and people aged 30-50 throughout the country.

We will make great efforts to develop vocational and technical education and training programs so that the overwhelming majority of workers in cities and rural areas will learn the necessary knowledge and skills and incumbent personnel will attain higher working skills and professional, technical expertise.

In higher education, we will, on the basis of stabilizing its current size and restructuring its curricula, make great efforts to improve a number of universities so that their academic quality and educational performance will improve noticeably. Efforts will be made so that some major branches of learning will reach advanced international levels.

The training of students studying for doctoral degrees will establish its footing at home. Great efforts will be made to improve teacher training and improve teachers' professional level.

Schools at all levels and of all types must make earnest efforts to intensify their moral education and ideological and political work to heighten the socialist awareness and ethical standards of both educators and education recipients. The outline urges governments at all levels to gradually increase their investment in education along with economic development, and at the same time raise educational funds through all avenues and strive to bring about coordinated educational and economic development.

Sixth, we should improve the people's living standard on the basis of the development of production.

The purpose of economic construction is to satisfy the people's ever-growing material and cultural needs. The general objective for the next 10 years is to strive to bring the people's living standard to the level of leading a relatively comfortable life. The outline stipulates that during the Eighth Five-Year Plan, the income of staff members, workers, and peasants in our country should rise to a certain extent, after adjustment for price rises. Principal measures to raise the people's consumption

level and the quality of their daily life are developing the production of textiles and other light industries and farm and sideline products; continuing to earnestly carry out and improve the vegetable-basket program in urban areas, organizing market supply well, and continuing to develop tertiary industry which serves the daily needs of both urban and rural residents; speeding up the construction of urban and rural housing and public utilities; controlling environmental pollution and improving the quality of the environment; giving play to the role of the collective economy and other economic sectors in both urban and rural areas to energetically solve the problem of unemployment; gradually perfecting the social insurance system; practicing family planning to strictly control population growth; invigorating cultural undertakings to enrich cultural life; and developing public health and sports undertakings to raise the level of the people's health. With 10 years of steady improvement, the people's living standard in our country will improve remarkably by the end of this century.

The so-called relatively comfortable life is a life suited to China's level of development of productive forces and manifesting the basic principle of socialism. Raising of the people's living standard includes not only the improvement of their material life, but also the enrichment of their cultural life. It includes not only the raising of the consumption level of individual residents, but also improvement of social welfare and the working environment. In material life, the consumption structure and pattern should be suited to our country's characteristics and our national traditions. It is necessary to continue adjusting our industrial structure and product mix to make them fit the raising of the quality of life and the change of the consumption structure in the course of the improvement of the people's living standard from just having enough to eat and wear to the state of leading a fairly comfortable life. Meanwhile, we should actively guide consumption and introduce a reasonable consumption structure and a healthy, good consumption pattern in line with China's national conditions.

Ours is a big country whose economic and cultural development is quite uneven. A relatively comfortable standard of living will be realized step by step in the country—in practice, it will be gradually achieved in regions. It should not and cannot have a unified timetable for the whole country in this regard. There should be no doubt that we will be able to live a relatively comfortable life and take the road of common prosperity by 2000. The principle of allowing and supporting some people and some areas to get rich first through honest work and legitimate management and operations should be continuously implemented. However, we should always keep in mind that implementation of this principle is aimed at encouraging people throughout the country and various localities to do better in following the road of common prosperity. Therefore, we should oppose equalitarianism and, at the same time, prevent a wide gap between incomes. The most important of socialism's superiorities manifests itself in common prosperity.

The people throughout the country must work hard to achieve a relatively comfortable standard of living. Our country is now in a stage of doing pioneering work, and hundreds of undertakings are to be started. In the next decade, and even during the entire course of the modernization drive, we must properly handle the relationship between accumulation and consumption and between national construction and the people's livelihood. The increase of actual total wages should not be higher than that of national income, and the rise of actual average income should not exceed that of labor productivity. For a long time to come, we must persist in maintaining independence, keep the initiative in our own hands, rely on our own efforts, wage a hard struggle, build the country through thrift and hard work, and work for socialist modernization through our own intelligence and wisdom and with our own untiring hands.

Dear deputies, the Chinese People's Liberation Army, the armed police corps, and the public security cadres and police are the powerful support for exercising the people's democratic dictatorship.

In the 1980s, the people's armed forces scored tremendous achievements in promoting their own development and made important contributions to safeguarding the motherland and the modernization drive. Under the complicated and changeable international situation, it is necessary to strengthen further national defense modernization in the next decade in order to cope with various eventualities, defend national security, and create a stable environment for economic construction. In accordance with the state's financial capacity, it is essential to appropriately increase national defense expenditures, work hard to develop science and technology related to national defense, and strengthen the research and development of new weapons and military equipment in key fields in order to enhance the modernization level of the armed forces' weapons and equipment.

It is necessary to continue to readjust the structure of science, technology, and industry for national defense, and implement the principle of appropriately diverting the production capacity of military items to production of goods for civilian use. We should also strengthen a unified national defense and ensure better coordination to develop and raise the standards of both military and civilian items.

It is necessary to continue to step up the construction of key national defense projects; extensively carry out the activities of supporting soldiers, giving preferential treatment to their family members, supporting government, and cherishing the people; and further strengthen unity among the military, the government, and the people.

The people's armed forces should further develop into revolutionized, modernized and regularized forces; strive to improve their political and military quality; enhance their combat capability; and safeguard the smooth progress of the socialist modernization drive. [applause]

4. On Social Development.

The outline of the 10-Year Program and the Eighth Five-Year Plan shows that economic construction is the central task, stresses the coordinated development of the national economy and social undertakings, and sets forth all-around demands for building spiritual civilization and for various social undertakings. Here, I wish to particularly explain the following questions:

First, we should strengthen the building of socialist spiritual civilization.

Building socialist spiritual civilization is a major goal of building socialism with Chinese characteristics and a significant guarantee for promoting the building of material civilization. Great achievements have been made in building spiritual civilization in the past decade. We also have made some major blunders, however. They are reflected mainly in the weakening of ideological and political work, which led to the widespread ideological trend of bourgeois liberalization and caused serious social consequences. In the next 10 years, amidst drastic changes in the international situation, the hostile forces abroad will not give up their scheme of peaceful evolution against China. At home, the tasks of construction and reform will be very arduous and complicated. Because of this, we must implement firmly the principle of promoting the two civilizations simultaneously and make a real effort to gear up the building of socialist spiritual civilization. The basic task of building socialist spiritual civilization is to cultivate socialist citizens with lofty ideals, moral integrity, good education, and a sense of discipline and to raise the ideological and ethical quality as well as scientific and cultural quality of the whole Chinese nation. It is necessary to engage in ideological and ethical construction as well as educational, scientific, and cultural construction by focusing on this basic task. Ideological and ethical construction is the soul in building spiritual civilization and determines the nature and orientation of spiritual civilization. To correct the phenomenon of being hard on the one hand but soft on the other, the main task is to strengthen ideological and ethical construction. We should conduct education in upholding the four cardinal principles and resist and oppose bourgeois liberalization unremittently for a long time to come.

To ensure the correct orientation of economic construction, reform, and openness, it is necessary to carry on and develop the fine traditions in ideological and political work; earnestly study the characteristics and pattern of ideological and political work under new historical conditions marked by reform and openness; and adopt lively methods that are popular with the broad masses so that ideological and political education will be more firmly rooted in the people's hearts, more practical, and more effective. It is essential to conduct thorough and sustained education in patriotism, collectivism, and socialism; use common ideals to mobilize people of all nationalities throughout the country to join the great cause of building the motherland and rejuvenating

China; and mobilize and rally hundreds of millions of people to extensively participate in building socialist spiritual civilization to foster healthy, civilized, and fine customs at all levels in the entire society.

Our country's more than 500 million young people form a century-straddling generation, on which the motherland pins its hopes and stakes its future. It is necessary to fully recognize the utmost importance and urgency of nurturing builders of the socialist cause and their successors, closely integrate school education with that at home and in society, and work hard together to cultivate generation upon generation of new socialists. Construction in education, science, and culture and in ideology and morality promote each other and jointly propel the development of material civilization. Without qualitative improvements in the entire nation's scientific and cultural levels, there will be no socialist modernization.

While developing science, technology, and education, we should bring about further thriving of the press, publishing, radio, television, culture, art, and other cultural undertakings. The outline, based on our basic experiences gained in the 1980's and our effective principles and policies, has made specific arrangements for the development of science, technology, education, and cultural undertakings. Government at all levels should give priority to the development of science, technology, education, and cultural undertakings and grasp them firmly and effectively.

It is necessary to further pay attention and give full play to the role of the large number of intellectuals in the building of socialist spiritual civilization and the drive for socialist modernization. Since the founding of the PRC, especially since the Third Plenum of the 11th CPC Central Committee, intellectuals in our country have made important contributions to national economic and social development in various aspects. The arduous tasks in carrying out the second-step strategic objective in the next decade urgently call for large numbers of intellectuals to bring their initiative and creativity into full play and shoulder the heavy responsibilities entrusted by history. It is necessary to continue promoting the good practice of respecting knowledge and talented people throughout society and gradually to improve policies and systems that are conducive to talented people coming forth in large numbers. We should see to it that all human and material resources are turned to best account.

With economic development, we should do more practical work in improving working and living conditions for intellectuals. We should encourage large numbers of intellectuals to delve into reality, to acquaint themselves with the condition of the country, and to make new achievements in the great undertakings of socialist modernization, reform, and opening to the outside world.

Second, perfect socialist democracy and the socialist legal system. The cause of socialist modernization is the cause of the whole people. Only by strengthening

socialist democracy can we extensively mobilize the people and rely on them. In deepening structural reform, it is essential to actively and steadily promote the supplementary reform of the political structure; institute and refine the process and system of democratic supervision; introduce a leadership system that is conducive to raising work efficiency; and strive to build democratic politics characterized by socialism with Chinese characteristics.

Governments at all levels should stress and support policy research and information and further promote democratic and scientific policymaking. It is necessary to consciously accept supervision by people's congresses at the same level and their Standing Committees; stress and enhance the role of the Chinese People's Political Consultative Conference committees and various democratic parties and mass organizations in practicing political consultation and democratic supervision; listen to the opinions of various sectors with an open mind; and fully reflect the wishes and interests of the broad masses of people in the state's political and social life.

It is essential to further strengthen the construction of political power; modify the administrative system; straighten out the relations among government departments at all levels; continue to reform the cadre and personnel systems; streamline organizations; and cut administrative levels and the number of administrative personnel. It is necessary to change functions; improve work styles; raise work efficiency; further enliven the democratic life at the grass roots; perfect the systems of democratic management of enterprises and autonomy among neighborhood residents and villagers; heighten the people's sense of participating in the discussion and administration of state affairs and their ability to do so; and arouse the public's enthusiasm for building socialism.

Socialist democracy should be systematized and codified through legal construction. It is essential to guarantee the people's rights to be masters of their own affairs and to ensure the state's stability, unity, and long-term security. At the same time, it is necessary to use laws to regulate economic relations and social activities; maintain normal social order; and consolidate the fruits of reform and opening. At present, a constitutionally-based socialist legal system has been initially established in our country. The country and the government are gradually taking the road of the legal system, the former in conducting its political and economic activities, and the latter in carrying out its work. However, some important laws and regulations on economic and administrative management have yet to be enacted. In actively promoting reform and opening, it is essential to concentrate on drafting a number of important laws on planning, budgeting, banking, investment, companies, prices, labor, and auditing, and strengthen the formulation of administrative laws and regulations in accordance with the needs of reform, opening, and administrative management, so as to further regularize and codify the state's administrative management.

An outstanding problem facing us today is that the phenomenon of failure to strictly enforce the law still universally prevails. It is necessary to stress that once a law is promulgated, every organization or person must abide by it. It is necessary to safeguard the authority of the Constitution and the law and uphold the principle that everyone is equal before the law. We must see to it that we by all means act in accordance with the law, strictly enforce the law, and investigate and deal with any law-breaking case. We should continue to strengthen education in the legal system, disseminate elementary knowledge of the law among all citizens, and deepen the sense of law among all people. All government functionaries must study and understand the law, strengthen the concept of the legal system, and set an example by observing and understanding the law.

Third, strengthen the political and legal work, safeguard social stability. Today, in our society of political stability and unity there exist some destabilizing factors. Hostile forces at home and abroad are continuing to subvert, split and sabotage our country. We must be on the alert and unflinchingly safeguard the stable and united political situation. To maintain social stability, we should adhere to one of the four cardinal principles, that is, upholding the people's democratic dictatorship. This principle is as important as the other three.

It is necessary to deal a telling blow at serious criminal activities and serious economic crimes; clamp down upon drug taking and peddling of drugs, prostitution or visiting whores, gambling, pornographic book peddling and circulating, feudal and superstitious activities, and kidnapping of women and children; eliminate the six major vices; and ban and crack down upon all organizations and activities that endanger social security and disturb social order. It is necessary to mobilize all forces in society by upholding the principle of integrating specialized organizations with mass work and strengthen the comprehensive improvement of social security and safeguard the normal order of society by using political, economic, administrative, legal, cultural, educational and many other means. It is necessary to educate the vast number of people to observe discipline and abide by the law, safeguard social security, and dare to struggle against all phenomena that jeopardize social order.

Public security, state security, judicial and other departments, the vast number of people's policemen, and commanders and fighters of the armed police must make efforts to meet the requirements of the new situation, continuously improve their political and vocational quality, be honest in performing their official duties, strictly enforce the law, bring the functional role of the people's democratic dictatorship into full play, and make new contributions to strengthening social security and safeguarding social stability.

Fourth, we should develop an intensive anticorruption struggle and make further efforts to build a clean and honest government.

The deeper our efforts go for reform and opening to the outside world and the more developed our economy, the more we need to strengthen the work of building a clean and honest government, develop the struggle against corruption, and maintain close contacts between the government and the people at all times. Government personnel and all other personnel must be upright and incorruptible, work hard, lead a plain life, and serve the people wholeheartedly. They should self-consciously resist various unhealthy practices. The work of building a clean and honest government should, first of all, start from government organs at various levels, especially the various departments of the State Council, and from leaders and cadres at various levels—in particular high-level cadres—who should put strict demands on themselves and set an example with their own conduct. With regard to those participating in economic and other crimes, abusing official power for selfish ends, and bending the law to serve private interests, once their acts have been verified after investigation, it is imperative to bring them resolutely to trial according to law regardless of the levels of their posts, and in no way should we abet evil by tolerating it. [applause] Those who show a serious degree of bureaucracy and neglect their duty, constituting the charge of malfeasance, must be investigated to determine their responsibilities according to law. Those who refuse to enforce orders and prohibitions and violate law and administrative discipline must be dealt with seriously. At present, we should pay close attention to investigating and dealing with major and important cases and energetically rectify and resolutely correct the unhealthy practices in various departments, trades, and professions. This includes the rectification of the acts committed by judicial departments and supervisory organs in violation of law and discipline. We should give full play to the role of judicial and supervisory departments, including departments of industrial and commercial administration, financial affairs, taxation, commodity prices, public security, customs, audit, and supervision. We should encourage and support democratic parties, mass media organizations, and the masses of people in conducting social supervision and in firmly struggling against various phenomena of violations of law and discipline. During the Eighth Five-Year Plan period, we should, through unremitting efforts, achieve remarkable results in building a clean and honest government and correcting unhealthy practices in various trades and professions. [applause]

Fifth, resolutely implement the basic national policy on family planning and environmental protection. The abundant resource of the labor force in our country is a tremendous advantage. It gives us a big population base. The number of new additions to the population has exceeded 16 million per year in the past few years. It is equivalent to that of a medium-sized country. This exerts extremely great pressure and causes a lot of difficulties in our efforts to promote economic construction and social development and improve the people's living standards. The birthrate will peak during the period of the Eighth Five-Year Plan and, as such, we are

going to be confronted with a very grim situation regarding the population. The program stipulates that the average natural growth rate of population should be kept below 1.25 percent during the next decade. Even if we meet this stipulation through having made great efforts, population growth will still amount to a very large number. Around one fourth of our newly added national income would have to be used for consumption by the additional population. If population growth exceeds the quota set in the state plan, our burden will be even heavier.

It is, therefore, necessary for the governments at all levels to give priority to the work of family planning and conscientiously pay close attention to doing a good job of it. By no means should they be careless about the work. The governments at all levels paid close attention to the work of family planning and scored marked achievements in the past 10 years. The three municipalities of Beijing, Tianjin and Shanghai, and the provinces of Zhejiang, Liaoning, Sichuan, Heilongjiang, Jilin and Shandong have done a better job than others. More than before, the population problem will have a bearing on the prospects for economic and social development in the next decade. It is necessary to continue to conduct widespread and in-depth education in the basic national policy of family planning; enhance the awareness of all the Chinese people; and include implementation of the family planning policy as one of the important indexes for appraising the job performances and achievements of governments at all levels.

In this respect, they are required to continue implementing the existing policy on family planning; advocate late marriages and childbirths, eugenics, and the practice of each married couple giving birth to one child; prevent early marriages and early or above-quota childbirths; strike hard at criminal elements sabotaging family planning; and focus family planning on rural areas, accelerating establishment of a network offering family planning services in counties, townships, and villages, doing a good job in providing technical service, and guaranteeing input of necessary funds in order that the relevant policies and measures may be actually implemented at the grass-roots level.

Environmental protection is also a fundamental policy of our country. In the next 10 years and during the Eighth Five-Year Plan, we must strive to prevent environmental pollution so that more cities and areas will have better environmental qualities. We must strengthen propaganda and education on environmental protection and the work of popularizing and improving environmental technologies. We must increase the awareness of the people of all nationalities on environment. Governments and departments concerned at all levels as well as enterprises and establishments must strictly enforce environmental protection laws and regulations, as well as various policies. They must also appropriately increase input in environmental protection and

strengthen environmental management so that the qualities of our environment will keep up with the gradual transition toward the state of a comfortable life.

Sixth, consolidate and develop the great unity among all nationalities of our country.

Our country is a unitary multinational state. Its long-term stability and prosperity depend on equality, mutual assistance, unity, cooperation, and common progress among all our nationalities. For a variety of reasons, the economy and culture in the majority of regions of minority nationalities are still quite backward at present. To promote common prosperity, (we must) help regions of minority nationalities to develop their economy and culture. Today, all nationalities in our country are united, and their relations are good. Various specific problems of one kind or another exist in certain regions. Basically, they are the kind of contradictions among people with identical fundamental interests. They should be resolved properly through consultation among the nationalities and by implementing the policy toward nationalities and conducting education in the policy toward nationalities. We must unwaveringly implement the law of regional autonomy of minority nationalities, fully guarantee the right of autonomy of the autonomous regions and the equal rights of minority nationalities, and respect the customs and habits of minority nationalities and their freedom of religious beliefs. We must continue to strengthen education in unity among nationalities, pay attention to overcoming and eliminating the tendency toward nationalism, oppose national separatism, and safeguard the unification of the motherland.

This year marks the 40th anniversary of the peaceful liberation of Tibet. In the past 40 years, democratic reform has been carried out in Tibet. The savage, backward feudal serf system was overthrown, vast numbers of serfs and slaves were emancipated, and earthshaking changes have taken place in Tibet's society and economy. In the next 10 years, with the common efforts of all nationalities and the vigorous support of the people throughout the country, greater successes will be attained in developing Tibet's economy and culture. Some forces abroad use the so-called Tibetan human rights issue to interfere in China's internal affairs and attempt in vain to foment splittism. All Chinese people, including the Tibetans, absolutely will not allow this. [applause]

Five—On Reform of the Economic Structure and Opening to the Outside World.

To achieve the second-step strategic objective, we must continue unwaveringly to deepen the reform and further expand the scope of opening to the outside world. The outline stipulates that in the next decade, it is imperative to uphold the principle of combining the planned economy with market regulation, to proceed with all aspects of the reform in a guided and step-by-step manner with a view to solving major problems in social and economic lives, and initially to establish a new

system of the socialist planned commodity economy. The basic demands are as follows:

To perfect the structure of the ownership system according to the requirements of the level of development of productive forces by adhering to socialist public ownership as the main body and appropriately developing the individual economy, private economy, and other economic sectors;

To separate the functions and responsibilities between the government and enterprises and to appropriately separate ownership and the right of management so that the vast majority of state-owned enterprises gradually will become real socialist commodity producers and managers characterized by independent operations, sole responsibility for profits and losses, self-restraint, and self-improvement;

To explore the numerous effective ways to realize the public-ownership economy and establish the vigorous management system and operations mechanism for state-owned enterprises;

To improve further the market for means of consumption and expand the market for means of production, develop capital fund, technology, information, housing, and labor markets, and establish and make perfect a nationwide unified market system under the guidance and management of the state;

To rationalize the relationship of distribution between the state, collectives, and individuals and between the central authorities and various localities, form a rational pattern for distribution of the national income, and gradually improving the individual income distribution system by persisting in the distribution according to work as the mainstay supplemented by other forms of distribution;

To regulate economic operations by applying comprehensive measures, including economic, administrative, and legal means, especially such economic means as prices, taxes, interest rates, and exchange rates and to establish and make perfect the economic regulation and control systems at the central level and the level of provinces, autonomous regions, and municipalities characterized by the combination of direct and indirect regulation and control.

In line with these basic demands, we should, in a harmonious and coordinated manner, do well in conducting the structural reforms in the fields of enterprises, circulation, prices, financial and tax affairs, banking, foreign trade, planning, investment, labor, wages, housing, medical service, and social security.

The outline stipulates that through another 10 years of efforts, we initially should establish a new economic system. This is longer than the time expected to be required, but this does not mean that we may relax our reform efforts in the slightest. Rather, this shows a

clearer and more profound understanding of the complicated and arduous nature of reform on the basis of summing up many years' experience in conducting reform.

To carry out reform, we cannot indiscriminately copy the formulas and experience of other countries, but should proceed from the conditions of our own country. In the course of practice, we should explore realistic ways to improve and develop the socialist system. The process of reform should undergo constant experiments, supplements, and improvements before success is achieved. Sometimes mistakes may occur, and it is necessary to correct the mistakes promptly and continue to advance. For this reason, in carrying out reform, we constantly should sum up experience. We should carry forward the spirit of actively forging ahead and making bold exploration. On the other hand, in stepping up reform, we should not act rashly and be overanxious for quick results.

It is necessary for us to persist with the practices and traditions which have been proven by experience to be good, and strive for new innovations and breakthroughs at the same time. In the future, we must integrate reform with development in an even better way. The reform measures and steps must, on the one hand, be conducive to solving the conspicuous problems and contradictions in the course of economic development at present and for a long time to come, so as to create conditions for a sustained, steady, and coordinated development of the national economy. On the other hand, when we make arrangements for economic development, we must also take into consideration the necessity to create an environment favorable for the four modernizations and reform. Unified planning must be carried out for various reforms. Although particular emphasis may be placed on certain areas for a period of time, other areas must also receive our due attention. By no means should we give prominence to one single project or area. When we draw up reform measures, we must pay special attention to the ability of the state enterprises and the masses to withstand their impact, so as not to occasion too big a reverberation throughout society. The criterion for examining and judging reform measures is not abstract principles or patterns but, rather, whether they are conducive to promoting development of the productive forces and favorable for social stability and progress. Just as we accumulated rich experiences back in the 1980s, the overall objectives, guiding principles, and basic policies of reform are defined now. So long as we take vigorous and steady strides forward and make efforts for another 10 years, it is completely possible for us to initially establish an economic performance system and mechanism that will integrate the planned economy with market regulation, and that is suitable for development of the socialist planned commodity economy. It is a great historical undertaking and has a bearing on the future, destiny, success or failure, and rise or fall of socialism in our country. We have both the determination and ability to succeed in the undertaking.

In the following, I will discuss a few problems that confront our efforts to reform the economic system and that need our special attention in order to find solutions.

Initially, it will be necessary to explore specific ways and forms for integration of the planned economy and market regulation. Establishing an operational mechanism for integration of the planned economy with market regulation on the basis of the requirements for developing the planned commodity economy is the basic orientation for deepening reform of the economic system. Based on our exploration of the theories and experiences acquired through experience over the years, we have reached a common understanding on the issue of integrating the planned economy with market regulation as follows.

First, implementation of the planned economy will, on the whole, enable the national economy to maintain proportional development, bring about rational disposition of resources, avoid a state of anarchy, mobilize or concentrate the necessary financial and material resources in society to carry out major construction, and prevent waste caused by the overlapping of major projects; and regulate distribution of income in a better way, so that all the people may take the road of common prosperity, and fairness may be maintained in society.

Market regulation facilitates competition and allows superior quality to triumph over inferior quality. It is necessary to engage in production and management in accordance with market demand, make efforts to combine production with the demand, promote the development of technology, and improve management. To combine a planned economy with market regulation, we must exploit fully the advantages and strong points of both elements and further develop our social productive forces.

Since we started to institute reform and opening to the outside world, we actively have explored and experimented in this field. We can prove this principle conforms to China's conditions and is correct. The planned economy and market regulation must and can be combined. We should not doubt this or waver in our faith any more when we institute and implement the policies. The question facing us today is not whether we want or are able to combine them; instead, we should further research and explore. It is a matter of how we can combine both still better.

Second, we should not interpret the planned economy in terms of carrying out mandatory plans. Both mandatory and guidance plans are concrete elements of a planned economy. As economic restructuring deepens, the economic structure improves, and the market matures, we should properly reduce the items covered by mandatory plans and properly expand those covered by guidance plans, giving more reign to market forces. The planning and management department must act in line with the laws governing proportionate economic development and the law of value, take into account the relationship

between market supply and demand and make market regulation function in agreement with the overall plan of the state, its statutes and regulations.

Third, on the whole, planning should play a major role in setting targets for the development of the national economy, controlling total supply and total demand, readjusting economic structure and geographical distribution of major sectors of the economy, and controlling other important economic activities which have a bearing on the overall situation. Most production activities and operations in enterprises, ordinary technical upgrading, and small-scale construction projects are to be regulated by market forces.

Fourth, the main task of the state in planning, management, and guidance is to affirm rationally the orientation and plan for the development of the national economy and its overall readjustment and control; institute correct industrial policy, regional policy, and other economic policies; maintain the comprehensive balance of the national economy; coordinate in major proportionate relations; and guide, readjust, and control the activities of the economy as a whole by using economic, legal, and administrative means in a comprehensive and dovetailed manner.

The above explanation is made in general.

The combination of a planned economy with market regulation will take different forms and cover different items in different areas or facets of economic activities.

For instance, in the sphere of production and circulation, guidance plans or market regulation should apply to the manufacture and distribution of the large amount of ordinary industrial and agricultural products. Mandatory plans should be adopted only to cover the manufacture and circulation of a few major products that have a bearing on the national economy and people's lives and thus must be allocated and distributed by the state. However, the rest should be subject to guidance plans or market regulation.

Again, for instance, in the sphere of construction, the amount and pattern of fixed assets investment in construction and the construction of key projects and their locations are to be determined by the decisions and plans of the central and local governments, while the use of investment, project design, and construction management should be subject to the competitive forces of the market. Under the guidance of the state plan and industrial policies, other projects for upgrading technology and small-scale construction projects should be regulated by the market.

For another example, take prices. The price of a small number of important products and services will be controlled by the state. The adjustment of prices must be consistent with the law of value and take into consideration the daily changes in supply and demand. The price of most other goods and services will be regulated through the market. In any case, the method and scope of

integrating the planned economy with market regulation in the various sectors should be conducted and improved frequently and properly in accordance with changes in the actual situation rather than regularly and universally. We must constantly press ahead with reform.

Second [as heard], we must further invigorate large and medium enterprises that are owned by all the people. This is the central link in our efforts to deepen economic restructuring. State-owned large and medium enterprises are the principal source of revenue for the state. They are the important pillars and key forces in the modernization drive. Currently, the burden of state-owned large and medium enterprises are quite heavy and the problems they face are considerable. Relations in many areas have not been straightened out. Invigorating state-run large and medium enterprises to fully exercise their key role and arousing the enthusiasm of the workers have a direct impact on China's economic development and consolidation of the socialist system. The anticipated progress in economic restructuring, to a large extent, will depend on the success of reform in state-run large and medium enterprises. From this year onwards, we must pay very close attention to this issue and focus our energy mainly to tackle it. We must take effective measures to improve external conditions and strengthen internal management and tackle them one by one in the bid to resolve the actual problems of state-run large and medium enterprises. We hope the vitality of these enterprises will show marked improvement within a fairly short period of time. In this regard, we should keep a firm grasp on the following aspects:

1. We must perfect and develop the contract management and responsibility system of enterprise. We must correctly handle the relations between interests of the state, enterprise, and individual and the relations between accumulation and consumption so that enterprises can divert more funds to technical upgrading. During the Eighth Five-year Plan, we must continue to implement and improve the existing contract responsibility system. At the same time, we must actively implement the system of [words indistinct].

2. We must insist on separating the government from business functions and the rights of management from ownership, further implement the laws, regulations, and policies for invigorating state-owned large and medium enterprises that are already promulgated, and fully respect and safeguard the decisionmaking power of enterprises. The specific form of separating the rights of management from ownership may vary according to the nature of each industry, scale of each enterprises, and characteristics of each technology. We must continue to carefully experiment with the leasing and share-holding systems which have appeared in the course of reform, in particular the systems in which the state holds the controlling interest and in which departments, localities, and enterprises have taken up shares, and constantly review our experience. We must truly tighten control

over state assets and build an initial management structure and management method that conforms with the socialist planned commodity economy.

3. We must make vigorous efforts to develop enterprise groups. It is necessary for us to pay close attention to drawing up specific policies and measures to facilitate reorganization of and mergers between enterprises; to promoting rationalization of the structure of enterprises; to organizing and establishing a number of transregional and interdepartment competitive enterprise groups on the basis of equality and mutual benefit, so long as such organization and establishment is carried out of their own accord; and to encouraging the organization and establishment of enterprise groups closely affiliated with each other.

4. We must endeavor to deepen internal reform of enterprises and improve their management. It is necessary to persist in and perfect the system of full responsibility for factory directors; correctly handle the relationship between factory directors and the party committees of enterprises; provide full guarantees that factory directors can exercise their right of running business operations and managing enterprises; give full play to the role of party committees as the leadership over enterprises in ideological and political work; rely on the working class wholeheartedly by strengthening the supervisory role of staff's and workers' congresses; improve democratic management of enterprises as well as their systems of personnel, labor and wages, distribution of retained profits, finance and accounting, and auditing; and conscientiously correct the phenomena of eating from the same big pot by enterprises in their distribution, giving more retained profits to certain individuals, and lax discipline.

Third, we must make vigorous efforts to promote the reform of the housing and social security systems. It is necessary to accelerate reform of the housing and insurance systems in accordance with the principle of having the state, collectives, and individuals share the burden during the Eighth Five-Year Plan. Meanwhile, it is also necessary to change gradually the current method of allocating housing units to tenants at low rent or free of charge; arouse the enthusiasm of all quarters to speed up housing construction and improve the housing conditions of the people; gradually establish a pension insurance system for staff, workers, and self-employed laborers of all trades and professions in both urban and rural areas; expand insurance coverage for the unemployed; adopt the policy of actively providing guidance to establish various forms of security systems for the aged in rural areas in the light of their respective different conditions and possibilities; and improve and perfect the systems of public health services and laborers' medical care to upgrade medical treatment and reduce waste and losses. Implementation of the system of pooling funds to run hospitals or provide cooperative medical service to provide insurance for the people will be continued in rural areas. We must establish and

perfect an insurance system for the industrial and commercial sectors as well as a social welfare system to protect the legitimate rights and interests of the handicapped. Doing a good job in carrying out reform of the housing and social security systems is an important measure for providing rational guidance for consumption, deepening reform of enterprises, and protecting the people in their everyday lives and, therefore, has important significance for easing unfair distribution in society, safeguarding social stability, and promoting reform in other fields of endeavor. The reform in these two areas affects all families and has a direct bearing on the vital interests of the broad masses of the people. It is necessary to truly sum up experiences from their implementation at selective points on a trial basis, provide classified guidance in line with local conditions, and carry out the reform in these two areas step by step and in a safe manner.

Fourth, increase the country's ability of macroeconomic regulation and control and correctly handle the relationship between the central and the local.

Since the start of reform, we have changed the past pattern of excessive centralization. Delegating more power to the localities and allowing them to keep more profits at their disposal have aroused the initiatives of the local enterprises and individual workers. This orientation is correct. However, the improper delegation of certain power and lack of accompanying macroeconomic control and supporting reform measures have created the phenomena of excessive decentralization in the economic life. At present, the proportion of state revenue in the national income and the proportion of the central government's revenue in the entire country's revenue are gradually declining. As a result, the ability to carry out macroeconomic regulation and control has weakened. This trend is continuing at present. Contradictions between revenue and expenditure have also somewhat sharpened. Both economic development and in-depth reform demand we adopt appropriate policies and measures to change the present state of affairs. Necessary financial and material resources should be pooled together properly to run well a number of major projects which must be undertaken by the central government and which concern the overall interests of the state. Doing so certainly does not mean returning to the old path of excessive concentration. Rather, it is aimed at properly integrating necessary concentration and appropriate decentralization. The central should take into consideration and coordinate the interests of the local, and the local should likewise take into consideration the overall interest. These are all for the purpose of more effectively bringing into play the superiority of the socialist system and pushing forward modernization.

Continue to implement and improve the policy of opening to the outside world. After more than 10 years of efforts, a basic pattern for opening to the outside world in every way has been established. In the future, as the international environment becomes even more complicated and international economic competition becomes

increasingly tense, the most important thing for increasing foreign economic and technological exchanges is to pay more attention to improving quality and efficiency while maintaining steady growth in quantity. Using what we have built as the foundation, we should improve our work in the field of foreign trade, in the use of foreign capital, and in technological and intellectual import to a new level. In export, we should place the emphasis of work on improving the mix and raising the qualities of export commodities. Today, our country has preliminarily realized the transformation from a pattern of exporting mainly raw materials and primary products to one of exporting mainly finished products. The total value of the export of finished industrial products has exceeded 70 percent of our total export value. Our future task is gradually to realize transformation from exporting rough finished products to exporting highly wrought products, strive to increase the export of high value-added electric-machinery, light industrial and textile products, and hi-tech commodities, and to encourage the export of highly competitive commodities that have great potential in the international market. We should manage to rely mainly on improving the qualities, grades, and reputation of our exports to increase our foreign exchange earnings. We should actively develop international tourism, labor export, foreign contract projects, and overseas investment to increase our non-trade foreign exchange earnings. We should strive to consolidate the existing market while actively opening new ones. We should actively develop economic and technological cooperation and exchange with countries on our perimeter.

To meet the needs of our country's construction and to maintain normal international trade, we must maintain a moderate quantity of imports, adjust the mix of import commodities, and pool and use our limited foreign exchange in importing advanced technologies and key equipment. To raise efficiency in the use of foreign capital, we must perfect laws and statutes and improve the investment environment. We should, in line with the state's industrial policies, provide proper guidance for foreign investment and encourage the establishment of export-oriented enterprises using advanced technology, and the construction of large and medium-sized projects in basic industries and infrastructure. We should pay attention to combining attracting foreign investment with accelerating technological transformation of enterprises, in order to promote technological progress in China's traditional industries and the updating and upgrading of products.

We should take full advantage of the superior position of the coastal regions in opening to the outside world and further develop the export-oriented economy to stimulate the economic growth of the country as a whole. During the Eighth Five-Year Plan, in addition to running well the existing special economic zones and open cities and areas, we should concentrate our efforts on doing a good job of developing and opening new Pudong area in Shanghai.

Continuity and stability of our open policies should be maintained. Policies that have been adopted and promulgated should remain basically unchanged. In addition, they should continue to be supplemented and perfected. Special economic zones and open cities and areas should proceed from the overall interest of the national economy and take into consideration the strong points of the locality to rationally determine the direction, emphasis, and arrangements for economic development. They should develop industries with local characteristics to gradually establish a rational division of labor between the regions.

In order to meet the requirements of opening to the outside world and development of foreign trade, we have carried out major reforms of the foreign trade structure this year. On the premise of continuing to motivate the central authorities, the localities and the enterprises, we should bring foreign trade gradually to the path of uniform policy, fair competition, independent operation, responsibility for their own profits and losses, integration of industry with trade, and enforcement of the agent system to take a united front toward the outside world. This reform is of great significance, and is a fundamental step ensuring the steady growth of China's foreign trade. It must be undertaken with painstaking efforts and carried out in earnest. VI. International Situation and Foreign Affairs

While China has achieved enormous successes in carrying out reforms, opening to the outside world, and launching its modernization drive, China has made significant progress in promoting relations with foreign countries. The peaceful and independent foreign policy which we uphold has created a favorable environment for China's socialist modernization and contributed to world peace and stability.

The first year of the 1990's has experienced enormous changes around the world. While the old world pattern which had gone on for more than four decades has broken, a new world pattern has yet to take shape. The whole world is now at a stage where the old world pattern is being replaced by a new one. The relaxation of U.S.-Soviet relations and the weakening of their military confrontations over the past year have given rise to certain multipolarized developments in the world. While we welcome the changes caused by the relaxation of certain regional conflicts and the prospects for their political settlement, the grim facts show that our world is not peaceful, that peace and development which people the world over aspire to are still facing a severe challenge, and that hegemonism and power politics still continue to develop. The facts also show that certain hidden political, economical, and national problems have come to the fore, that the disparity in the balance of strength has also triggered new contradictions, and that the difference between the haves and the have-nots in the North and the South has continued to widen. In fact, because of the intertwining new and old contradictions, the world has become even more turbulent.

The Gulf situation has affected the entire world. Following Iraq's invasion and annexation of Kuwait, the multinational forces headed by the United States were rapidly deployed in the Gulf region. Although the world community made the greatest efforts to settle the Gulf crisis peacefully and stop the war from erupting, its efforts, regrettably, were of no avail, and the war was not averted.

The Chinese Government's position toward the Gulf crisis has been consistent, clear-cut, and responsible. We firmly opposed to Iraq's invasion and annexation of Kuwait, and demanded Iraq to withdraw from Kuwait conditionally so that Kuwait's independence, sovereignty, and territorial integrity could be restored and its legitimate government reinstated. Meanwhile, we proposed that the crisis should be settled peacefully because war can only cause immense sufferings to people in the Gulf region and the Middle East, plunge the people into an abyss of misery, and destroy enormous wealth. After the Gulf war erupted, we strongly appealed to all relevant parties to exercise the greatest restraint, and we supported all the efforts made by the international community to settle the Gulf crisis peacefully in an effort to avoid an escalation of the war and the spreading the war.

We are gratified by Iraq's unconditional withdrawal of its troops from Kuwait and the restoration of Kuwait's independence, sovereignty, and territorial integrity, and the reinstatement of its legitimate government. We congratulate the friendly people in Kuwait, and we wish their war wound will heal and their homes can be rebuilt at an early date.

Currently, although flames of war in the Gulf region have gone out, a great deal of work remains to be done to bring about peace to the region. We hold that affairs of the Gulf region should mainly be resolved through consultations among countries of the region. Independence, sovereignty, and territorial integrity of countries of the Gulf region should be respected; internal affairs of all countries should be resolved by the people of respective countries; and foreign military forces should withdraw from the Gulf region. The UN Security Council [words indistinct] play a role entrusted to it in making arrangements for prisoners of war in the Gulf region. China is willing to join the international community in making continued efforts to bring about peace to the region, and is willing to further develop friendly and cooperative relations with countries in the region.

Tensions in the occupied Palestinian territories also have attracted deep concern of the international community. Development of the situation in the Gulf has posed an even greater impact on seeking a political solution to the Middle East issue. The Chinese people and Government have always supported the just cause of the Palestinian and Arab people. We hold that, in order to bring about lasting peace to the Middle East, after the war, the Middle East issue should be included on an agenda, and be solved justly and reasonably at the earliest date

possible. Israel should withdraw from the Arab territories occupied by it, and should restore the Palestinian people's legitimate national rights. Palestine and Israel should recognize each other. All countries of the Middle East, including Palestine and Israel, should live in harmony. We support convening an international conference on the Middle East issue under the United Nations' auspices to be participated by the five permanent members of the UN Security Council and other parties concerned. We also support all parties concerned in conducting dialogues of various forms, in order to seek a political solution to the Middle East issue.

Dear deputies, in the past year, we made new progress in the diplomatic field, opened up new horizons, and further raised China's international status.

We resumed diplomatic relations with the Republic of Indonesia, and established diplomatic relations separately with the Republic of Namibia, the Kingdom of Saudi Arabia, the Republic of Singapore, and the Republic of the Marshall Islands.

The Chinese Government has vigorously developed good-neighborly and friendly relations with the peripheral countries, and regarded this as the focus of our diplomatic work. The present period is one of the best in China's relations with the peripheral neighboring countries.

Our traditional friendship with the DPRK has been further consolidated and developed. We support the DPRK's proposal for promoting the independent and peaceful reunification of Korea. The meeting of the premiers of North and South Korea is favorable to the improvement of the bilateral relations. We hope that all parties concerned will continue to work actively for the relaxation and stability in the situation on the Korean Peninsula. We have mutually established nongovernmental trade offices with South Korea. This is favorable to the development of nongovernmental economic and trade relations between the two sides.

We normalized our relations with the Mongolian People's Republic after holding consultations. The scope of bilateral exchanges and cooperation has further expanded. We have continued to maintain good-neighborly and friendly relations with Burma. We have continued to uphold the principle of actively developing friendly relations with the ASEAN nations, and further strengthened cooperation with them in safeguarding peace in this region. China has made a fairly big progress in its relations with Thailand, Malaysia and Philippines. The resumption of our diplomatic relations with Indonesia and the establishment of our diplomatic relations with Singapore have opened up new prospects for our country in developing friendly relations with these two countries, but also enabled our relations with the ASEAN nations to enter into a new period of all-round development.

On the basis of the five principles of peaceful coexistence, we are willing to establish and develop friendly

relations with Brunei. China's traditional friendly relations with Pakistan, Bangladesh, Nepal, Sri Lanka and other South Asian countries have made new progress. The scope of cooperation has been expanding. Our relations with India have also improved significantly. The establishment of sustained and steady good-neighborly and friendly relations between China and India conforms to the fundamental interests of the peoples of the two countries, and is very favorable to peace and stability in this region.

Thanks to the common efforts exerted by the international community, there has been major progress in the political settlement of the Cambodian question, and the situation is developing toward a final settlement. However, there will continue to be certain problems and twists and turns. We hope Vietnam and the Phnom Penh side will proceed from an overall interest in peace and stability in the region and the vital interests of the Cambodian people and conform to the historical trend by adopting a realistic stand to facilitate an early settlement of the Cambodian question. Within the framework of the documents adopted by the United Nations, China is ready to work hard with the international community for a comprehensive, just, and rational political settlement of the Cambodian issue as early as possible. Along with the progress in the political settlement of the Cambodian question, Sino-Vietnamese relations, which already have been relaxed, will be restored gradually.

Since the normalization of Sino-Soviet relations, progress has been made in relations between the two countries. Some progress has been scored in the border talks between China and the Soviet Union. Positive results have been achieved in talks on reducing the military forces of each side along the Sino-Soviet border and on strengthening confidence in the military sphere. Maintaining normal relations between the two nations and further developing good-neighborly and friendly relations are extremely important to China and the Soviet Union, which are neighboring countries sharing a 7,000-km border. On the issue of how to carry out their own national construction, the two nations should not interfere in each other's affairs and should respect the choice of each other's people. As long as we abide by the spirit of the Sino-Soviet Joint Communiqué, the friendly and cooperative relations between the two countries will develop further.

The Chinese Government has always attached great importance to its friendly and cooperative relations with Japan. The Chinese Government highly appreciates Japan's move to take the lead in resuming economic cooperation with our country. Currently, Sino-Japanese relations have been basically normalized. Further strengthening mutual exchanges and understanding and expanding cooperation and exchanges in various fields between the two countries are in line with the fundamental interests of the two peoples and favorable for stability and development in the Asia-Pacific region. We believe that as long as we strictly observe the various principles in the declaration and friendship treaty

between the two countries, the friendly and cooperative relations between the two nations will develop smoothly. Both the Chinese and Japanese people should maintain common alertness against the tendency of a handful of people toward reviving Japanese militarism. Living in peace and friendship for generation after generation conforms to the fundamental interests of the people of the two countries.

The 11th Asian Games held in Beijing last year was a complete success. Not only has it strengthened the friendship and solidarity between Chinese athletes and people and their counterparts from other Asian countries, it has enhanced China's international reputation.

Constantly strengthening friendship, solidarity, and cooperation with the Third World is a basic point of China's foreign policy. Over the past year, Chinese leaders and their Third World counterparts have frequently exchanged visits. New and greater developments have been achieved in promoting our traditional friendship, solidarity, and cooperation with Arab, African, and Latin American countries.

We support African countries in safeguarding their sovereignty, in fighting foreign interference, and in deciding their own political systems and development courses according to the national conditions in their respective countries. We support them in making joint efforts to unify Africa's economy. We support the South African people's just struggle and welcome the positive changes taking place in South Africa. We hope South Africa's apartheid system will be abolished at an earlier date and that a political solution will be found as soon as possible, so that a new unified and peaceful South Africa with racial equality will be established. We hope Angola and Mozambique will achieve national reconciliation, solidarity, and unity.

In accordance with changes in the international situation, the Latin American countries have made new efforts to explore the paths that conform to their respective national conditions and to promote unity in that region, and have played an important role in international affairs.

We support the reasonable stand and just demands of the Latin American countries. In May last year, the Chinese state president, for the first time, made successful visits to five Latin American countries, signifying that our relations with the Latin American countries have entered a new stage of development.

Our relations with the EC and the West European countries are gradually being normalized. Political contacts as well as economic, trade, scientific and technological, educational, and cultural cooperation have been gradually restored.

China does not have fundamental conflicts of interest with West Europe, and there is a broad prospect for developing long-term, stable, and friendly relations. Particularly noteworthy is the fact that in the next 10 years,

China will engage in large-scale economic construction. China and West Europe can accomplish much in terms of economic and technological cooperation. On the basis of seeking common ground and reserving differences, and on the basis of mutual respect for sovereignty, mutual noninterference in each other's internal affairs, equality, and mutual benefit, the Chinese Government is willing to contribute its share to further restoring and developing friendly and cooperative relations with the EEC and all European nations.

The Chinese Government has always valued Sino-U.S. relations. Normal and good relations between the two countries benefit not only China and the United States but also stability in Asia and the world. The growth in Sino-U.S. trade relations has benefited both countries. Should the United States unilaterally cancel the Most-Favored-Nation status for China, it not only will undermine Sino-U.S. trade relations, but will also adversely affect the interests of other regions and countries. We do not want to see this happen.

Last year, the foreign ministers of the two countries maintained contacts on major international issues and issues on bilateral relations. This has helped to improve mutual understanding and restore Sino-U.S. relations. We hope that relations between the two countries will embark on the track of normal development as early as possible on the basis of observing the principle spelled out in the three Sino-U.S. communiques.

Our relations with Canada, Australia, and New Zealand have improved. Bilateral political contacts have increased somewhat, and cooperation in economic, trade, and other areas has been developing. We believe that under the common efforts of both sides, friendly and cooperative relations will gradually develop.

The Chinese people have maintained traditional friendship and long-term cooperative relations with the people in the East European countries. China and the East European countries have maintained normal contacts in political, economic, scientific, technological, cultural, and other areas. On the basis of the five principles of peaceful coexistence, we are willing to continue to maintain and develop relations with the East European countries.

Over the past year, China, as a permanent member of the UN Security Council and an important member of the international community, has played its proper and unique role in advocating political settlement of regional conflicts and promoting international cooperation. China actively participated in relevant international disarmament conferences and activities and contributed its efforts to opposing the arms race and promoting disarmament. The two motions concerning disarmament and reducing conventional arms which China put forth at the UN General Assembly received unanimous approval for five years on end. China continued to take part in international cooperation and contributed to

preserving the ecology and protecting the interests of the handicapped [words indistinct].

On the human rights issue, we have firmly adhered to the correct principle and safeguarded China's sovereignty and dignity. Taking advantage of the so-called human rights issue, a handful of countries have interfered in other countries' internal affairs and exercised pressure on weak countries. We believe this has seriously undermined international cooperation in the sphere of human rights, (?undermined) international relations, and obstructed the attainment of the objective of protecting human rights. This abnormal phenomenon must be corrected.

Owing to the irrational international economic order and drastic changes in the world situation, contradictions between the North and the South have become increasingly pronounced, and the vast number of Third World countries are now confronted with enormous debts unprecedented in scale, causing problems such as worsening conditions for trade and capital drain. We always support developing countries' efforts to promote South-South cooperation and South-North dialogue. We think developed countries should make their due contributions to improving the international economic order, and should, especially, undertake their responsibilities in solving developing countries' foreign debts.

With the old international pattern being replaced by a new one, people are increasingly concerned about world peace and development, especially the issue of a new international order. The more than 40-year postwar history has proved, and history will continue to prove, that hegemonism and power politics will eventually encounter a dead end in the world. Comrade Deng Xiaoping pointed out as early as 1988 that a new international economic order and a new international political order should be established. The Chinese Government believes that the five principles of peaceful coexistence—mutual respect for sovereignty and territorial integrity, mutual nonaggression, noninterference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence—have generalized the most basic norms governing international relations, are in accord with the aim and principles of the UN Charter, and reflect the essence and characteristics of the new type of international relations. We propose that a new international order be established on the basis of the five principles of peaceful coexistence. This new order includes a new political order and a new economic order. These two are closely related and they are entities that support and complement each other.

The core of the new international order should be one in which all countries, large and small, strong and weak, rich and poor, would be independent and equal members of the international community. This new order is entirely different from the old order, which is based on a handful of big powers' hegemonism and power politics. We believe that the new international order should have this basic substance: All countries have the right to

choose independently their respective responsibilities; their social, political, and economic systems; and their course of development in accordance with their respective situations. No countries, especially the big powers, should interfere in other countries' internal affairs, or impose their value concepts, ideologies, and development modes on other countries, but all countries should respect each other's sovereignty and territorial integrity. No country should infringe upon or annex the territory of another country under any circumstances. International disputes should be settled rationally through peaceful negotiations. The use of force, or the threat to use force, will be renounced. The use of war as a means to settle international disputes will be rejected. In international relations, large, strong, and rich countries will not be permitted to bully small, weak, and poor countries. Countries the world over will join the international community as members on an equal footing and settle its problems through consultations, and its affairs should not be monopolized by one or several big powers. No countries will seek hegemony or push power politics. Under this new order, old international economic relations will be replaced by new ones characterized by just, rational, equal, and reciprocal exchange at equal value.

Without a doubt, such an international order tallies with the aspirations of the people of all countries and their fundamental interests, and it certainly will be conducive to the creation of lasting peace in the world and the quest of common development in all countries. The mission of establishing a new international political and economic order is great but formidable. It will also be a historic cause. The Chinese Government and the Chinese people are willing to join the governments and peoples of all countries and make unremitting efforts to accomplish this historic task gradually! [applause]

The future decade will be one of international upheavals and changes. It will be a crucial period in which mankind will head toward the 21st century. Proceeding firmly from the fundamental interests of the Chinese people and the people of the world, the Chinese Government will, as always, dedicate itself to creating a peaceful international environment conducive to China's modernization and developing friendly relations and cooperation with all countries. We believe that the world wants peace, mankind wants development, and the times will continue to advance along the course that will benefit the people. [applause]

Fellow deputies, we will firmly and actively promote economic and cultural exchange between the mainland and Taiwan and enhance our motherland's peaceful reunification in accordance with the principles governing peaceful reunification and one country, two systems. On many occasions recently, the Taiwan authorities have commented on national reunification, and they are prepared to adopt certain measures that will objectively help the development of mainland-Taiwan relations. While we welcome this gesture, we must realize that the Taiwan authorities have yet to renounce their stand of one country, two governments; that they are

continuing to push their flexible diplomacy; and that they still restrict postal, commercial, and shipping links and bi-directional exchange in handling mainland-Taiwan relations. Countrymen on the mainland and Taiwan are eager to see the good momentum of mainland-Taiwan exchanges in recent years continue to develop and the artificial obstacles that obstruct the three links removed as early as possible. We hope the Taiwan authorities will continue to do something useful for promoting the three links and bi-directional exchange between the mainland and Taiwan as well as national reunification. The CPC indicated long ago its willingness to consult with the Chinese Kuomintang on an equal footing. We can discuss issues about national reunification, as well as important issues governing mainland-Taiwan relations, including issues concerning relations with the Taiwan authorities. The CPC is also willing to have contacts and communication with all parties, organizations, and people of all walks of life on Taiwan so that we can understand each other better and discuss state affairs together.

We welcome Taiwan compatriots to take an active part in modernizing the motherland on the mainland, and we will continue to provide conveniences for them for this purpose. All projects that conform to the state's industrial policy will enjoy the preferential treatment as stipulated.

Hong Kong and Macao will be returned to the motherland in the 1990's. The Basic Law of the PRC Hong Kong Special Administrative Region has codified, in the form of a law, the Chinese Government's principles and policies toward Hong Kong. This serves as a fundamental guarantee for the stability and prosperity of the Hong Kong region after the state has resumed exercise of sovereignty over the region. Now the Basic Law of the Macao Special Administrative Region has entered the stage of drafting of the articles. It is expected to be completed in 1993, when it will be submitted to the NPC for deliberation and approval. The Chinese Government has consistently and actively worked for the stability, prosperity, steady transition, and smooth hand-over of political power of Hong Kong and Macao. It is also willing to strengthen cooperation with the British and Portuguese Governments on the basis of the Sino-British Joint Declaration and the Sino-Portuguese Joint Declaration.

We believe that compatriots of Taiwan, Hong Kong and Macao, and Overseas Chinese are patriotic. [applause] They are willing to contribute their share to the peaceful reunification and modernization of the motherland. Let us join hands and make concerted efforts for this purpose. [applause]

Dear deputies, the tasks for economic and social development in the next 10 years are very arduous, but they can be accomplished through hard work. Smoothly accomplishing the 10-year Program and The Eighth Five-Year Plan is an honorable, historical mission entrusted by our times.

We should safeguard the unity of the peoples of all nationalities throughout the nation, as well as the hard-earned political stability and unity. This is the basic guarantee for economic development and social progress. Unity means strength. We should protect unity and stability as we protect our eyes. [applause]

We should continue to demonstrate the fine tradition of waging hard struggle, work hard, display the unremitting spirit in overcoming the difficulties ahead, and constantly blaze trails and forge ahead.

We should take the overall interests into consideration, boldly take up responsibilities, strive to make more sacrifices, always keep in mind the overall and long-range interests of the more than 1 billion Chinese people when working out problems and handling matters, and perfectly mesh the immediate with the long-term interests and the partial with the overall interests.

We should heighten our sense of discipline; obey all orders; observe all prohibitions; and earnestly implement all laws, decrees, principles, policies, plans and measures that have been formulated and proven effective, so that work in all fields will progress in an orderly and wholesome manner.

In order to accomplish the 10-year Program and the Eighth Five-Year Plan and achieve the second-step strategic goals, starting with the State Council and the various ministries and commissions, government agencies and personnel at all levels, leading cadres at all levels in particular, should fully discharge their responsibilities, work cautiously and conscientiously, honestly perform their official duties, truly improve their work style, wholeheartedly serve the people, and closely rely on the people to do a better job in all fields of work.

Reviewing the past and looking to the future, the people of all nationalities in China are filled with confidence and hope. We should rally more closely around the party Central Committee with Comrade Jiang Zemin at its core. The entire nation should work together with one heart and one mind, go all out to make the country strong, and strive to accomplish the grand tasks laid down in the 10-Year Program and the Eighth Five-Year Plan. [applause]

We must realize our goals. [applause]

We can realize our goals. [applause]

Exploration of Li Peng's Work Report

Part Two

HK2703014091 Hong Kong WEN WEI PO in Chinese
25 Mar 91 p 2

["Special Article" by He Liang (6320 5328): "Economic Orientation in the Coming Decade—an Initial Exploration of Li Peng's Report to the NPC Session (Part 2)"]

[Text] Li Peng's report to the NPC session's opening meeting will stress economic construction and especially the main points in the "Draft Outline of the 10-Year Program and the Eighth Five-Year Plan" (shortened to "Draft Outline" hereinafter).

Six Main Aspects

The "Draft Outline" analyzed the orientation of China's economic development in the next 10 years by pointing out the following six main aspects:

- Maintaining the overall quantitative equilibrium [zong liang ping heng 4920 6852 1627 5899]. The most important aspect of the overall quantitative equilibrium is the financial balance. However, it is very difficult to maintain financial balance. Key construction projects, military construction, and scientific and technological undertaking expenditures need to be increased every year. So, it is necessary to reduce "the huge business losses incurred by the enterprises and the huge price subsidies." This will require more substantial reforms of the management system in large and medium enterprises and of the price system.
- Adjusting the industrial structure. A noticeable point in this respect is that, for the first time, the authorities call for "positively developing the construction industry" as a "leading means" of stimulating economic growth and improving the people's living conditions. The report points out that "according to both domestic and foreign experience, the construction industry can be taken as a major pillar of economic development." This marks a major change in China's industrial structural adjustment, and will provide a lot of opportunities for foreign companies which try to invest or do business in China.
- Arranging division of work and cooperation between various localities. Nationwide unity of the economic structure and the market is stressed. Thus, local economic blockades and market division will not be allowed. However, it is also necessary to give play to the various localities' advantages. The "Draft Outline" points out the need to build more transportation lines from the east to the west to promote the western regions' development.
- Enhancing economic results. Li Peng sharply points out that this issue "has been mentioned for many years," "but the poor economic results have not been fundamentally changed yet." Therefore, the "Draft Outline" stipulates that in the Eighth Five-Year Plan period, the consumption of energy for the production of every 10,000 yuan of GNP must be decreased from 9.59 tons of standard coal to 8.5 tons; and that society's labor productivity should be increased by an average of 3.5 percent each year. This is a "tough target" for measuring the enterprise economic results.

Attach Importance to Science, Technology, and Education

—Attaching importance to science, technology, and education. Concretely speaking, the "Draft Outline" points out that stress will be laid on the fields of "biological engineering, electronics information technology, automation technology, new materials, new energy sources, aeronautics and astronautics technology, maritime engineering, laser technology, superconductive technology, and communications." In the field of education, "the training of doctorate degree holders will be conducted mainly at home." This is also a new policy.

—Improving the people's living conditions. The "Draft Outline" stipulates that in the Eighth Five-Year Plan period, allowing for price increases, the income of workers and peasants must increase by a certain margin. In addition, measures are also worked out for improving the people's living conditions regarding food, clothing, housing, services, and the environment. China's efforts in this respect were obviously successful in the past, and this inevitably contributed to the country's political and economic stability. The significance of the "food basket projects" was not limited to guaranteeing the supply of vegetables.

Corresponding to economic development, social development is one of the six parts of Li Peng's report. This includes seven points, namely, the building of spiritual civilization; the development of democracy and the legal system; the reinforcement of political and judicial work; the measures for checking corruption and building clear government; and the promotion of family planning, environmental protection, and nationality unity.

According to the "Draft Outline," it will take about 10 years to set up the socialist planned commodity economy's new structure. That is, it will be "basically established" by the end of the 1990's. The timetable is rather prudent. On the issue of combining the planned economy with market regulation, Li Peng's report mentions four points in people's consensus of opinion, and this is obviously the result of the discussions among government officials at various levels and economists in China since last year: 1) The combination is not an issue of whether it is necessary or possible, but an issue of how the two sides can be better combined. 2) The scope of compulsory plans should be narrowed; the scope of guidance plans should be expanded; and the market mechanisms should be brought into more play. 3) Planning's role should mainly be brought into play in the major economic activities, while market regulation should mainly be applied to enterprise activities and small-scale construction. 4) State plans should mainly deal with macroeconomic affairs.

Relations Between Central and Local Authorities

The central link in deepening the economic structural reform is to increase the dynamism and vigor of the state-owned large and medium enterprises. The report

points out that "beginning this year, we must attach great importance to and concentrate on this issue." Effective measures should be taken to improve the external environment and internal management at the same time.

As for relations between the central and local authorities, the report points out that "some powers were decentralized improperly in the past," and this caused a decrease in the central financial revenue and weakened the state's macroeconomic control capacity. However, "Such a tendency continues, and the imbalance between revenue and expenditure is still worsening." The solution for this problem is not to return to the old pattern; "instead, measures should be taken to properly combine the necessary centralization with the proper decentralization." This seems to be a rather well-considered proposition.

Part Three

HK2603055591 Hong Kong WEN WEI PO in Chinese
26 Mar 91 p 2

["Special Article" by He Liang (6320 5328): "International Situation and Opening Up to the Outside World—an Initial Exploration of Li Peng's Report to NPC Session (Third and Last Part)"]

[Text] In the past year since the last NPC session, many new changes have occurred in the international situation. The final part of Li Peng's report, namely, the sixth part, specially mentions the international situation and the diplomatic work. This represents the top Chinese leadership's opinions on the current world situation.

The World Remains in a State of Unrest

Li Peng's evaluation of the international situation in the past year is: "With relaxed relations and subsiding military confrontation between the United States and the Soviet Union, a multipolar tendency has appeared in the world. Some regional conflicts have been mitigated, or face political settlement. These changes are worth welcoming. However, the stern facts show that the world remains in a state of unrest. The desire of the world's people for peace and development is still facing serious challenges. Hegemonism and power politics are still developing; some political, economic, and ethnical contradictions that were covered up in the past have now become prominent, and imbalance of strength has also given rise to new contradictions; and the wealth gap between the North and the South has become wider and wider. With all the new and old contradictions interweaving in the world, the international situation will become even more turbulent and unstable." The tone of such an evaluation is prudent and realistic.

The most noticeable international event in the past year was, of course, the crisis and war in the Gulf. Li Peng's report includes a 900-character passage about the Gulf and Middle East situation in the part on the international situation. Li Peng is opposed to Iraq's aggression against Kuwait, and was gratified at Kuwait's liberation.

At the same time, he also points out that foreign military forces should withdraw from the Gulf and the UN Security Council should play a role in handling post-war affairs in the Gulf.

Attaching Importance to Relations With the Soviet Union, the United States, and Japan

When talking about China's relations with some countries, the length of the report's passages shows how much importance China attaches to relations with various countries. The report deals in Sino-Soviet relations, Sino-Japanese relations, and Sino-U.S. relations in separate paragraphs with 200 characters for each. While China's relations with other countries are mentioned in paragraphs about various continents.

As for Sino-U.S. relations, Li Peng's report particularly stresses that "if the United States unilaterally stops China's most-favored-nation status, this will not only impair Sino-U.S. trade relations, but will also harm the interests of some other regions and countries." Obviously, Hong Kong will be one of the victims.

Hoping Taiwan Will Keep Its Actions in Line With Its Statements

On the issue of cross-strait relations and national reunification, a noticeable point in Li Peng's report is that he demands that the Taiwan authorities keep their actions in line with their statements. "We hope that the Taiwan authorities will continue to do something actually favorable to the 'three direct linkages' and two-way exchanges between the two sides and favorable to national reunification." As for Taiwan businessmen's investments in the mainland, the report says that "all projects that are in keeping with the state's industrial policy will enjoy preferential treatments according to the established stipulations." This is something the Chinese leaders have mentioned for the first time. That is to say, projects that are out of keeping with the industrial policy will no longer enjoy preferential treatment. This indicates that the mainland authorities have laid down certain qualitative requirements on Taiwan investments.

The Pattern of Opening Up Will Remain Unchanged

China has opened up to the outside world for more than 10 years, and the basic pattern of opening up has taken shape. China's foreign economic relations and foreign trade have made substantial progress over the past decade. The total volume of imports and exports increased from \$38.1 billion in 1980 to \$115.4 billion in 1990, or multiplied 3.4 times. Since China adopted the opening up policy, it has actually absorbed foreign funds totaling \$18.98 billion, and more than 20,000 foreign-funded enterprises have been set up in China. Li Peng's report quotes these figures to indicate that China's economy has been more and more closely linked to the world economy.

The change in China's export structure is also reflected in its favorable effects on the domestic economic growth.

In 1980, industrial goods accounted for merely half of China's export commodities; in 1990, the proportion of industrial products increased to about three-quarters. Therefore, Li Peng points out in his report: "The future task is to gradually change the export pattern from one with elementary manufactured goods as the main body to one with sophisticated manufactured goods as the main body." To effect this change, the reform of the foreign trade structure will be synchronized with the in-depth reform of the management system in large and medium state-owned enterprises.

Li Peng's report also indicates that there will be no major change in China's current pattern of opening up to the outside world in the Eighth Five-Year Plan period. That is, the existing special economic zones, open cities, and open districts will be run better; and efforts will be concentrated on developing and opening Shanghai's Pudong District, but no other new open zone will be set up.

The Necessity for Reform and Opening Up

"In order to settle various contradictions in the current economic life, to smoothly achieve the second-phase strategic objective, and to stand in an invincible position in the fierce international competition, we are required to continue deepening the reforms and further expanding the scope of opening up." This statement shows that deepening reform and expanding the scope of opening up constitute the main theme of Li Peng's report.

Zou Jiahua Presents Report on Economic Plans

*OW2703061491 Beijing Central Television Program
One Network in Mandarin 1145 GMT 26 Mar 91*

[From the "Special News on NPC Session" program]

[Excerpts] The Fourth Session of the Seventh National People's Congress [NPC] held its second plenary meeting today. State Councilor Zou Jiahua, who is also minister in charge of the State Planning Commission, presented a report on the execution of the 1990 National Economic and Social Development Program and on the 1991 draft plan. State Councilor Wang Bingqian, who is also minister of finance, presented a report on the execution of the 1990 state budget and on the 1991 draft state budget. [Video shows an aerial shot of the conference hall, followed by a shot of Chen Muhua presiding over meeting]

The following are excerpts of Zou Jiahua's report:

Zou Jiahua discussed three subjects in his report: First, the execution of the 1990 plan; second, the major goals and tasks of the 1991 plan; third, successfully fulfilling the 1991 plan with efforts to be focused on improving economic efficiency. [Video shows Zou Jiahua reading from a prepared text; meeting other participants, including Yang Shangkun and Li Peng]

Zou Jiahua said: The year 1990 was one in which we further improved the economic environment, reorganized economic order, and deepened reform. [passage omitted] Inflation was effectively controlled; the magnitude of price increases notably decreased; a bumper harvest of all agricultural products was reaped; industrial production gradually picked up; new progress was made in scientific and technological work, in the educational field, and in other social undertakings; and the people's livelihood continued to improve. In the course of economic improvement and rectification, reform of the economic system continued to deepen, and the scope of opening to the outside world was further broadened. The gross national product [GNP] for 1990 reached 1.74 trillion yuan, an increase of 5 percent over the previous year; total national income amounted to 1.43 trillion yuan, up 4.8 percent from the year before. Generally speaking, execution of the 1990 plan is good; all tasks set in the plan were basically accomplished. This is mainly demonstrated by the following facts: First, a bumper harvest of all agricultural products was reaped; production of major agricultural products increased sharply. Grain production in 1990 amounted to 435 billion kilograms, 27.5 billion kilograms more than the previous year, topping all previous records. Second, industrial production gradually picked up; production of basic industrial products increased steadily. Total industrial output value reached 2.3851 trillion yuan, up 7.6 percent from the year before in terms of comparable prices, exceeding the projected 6 percent growth. Third, fixed asset investment increased to a certain degree; investment pattern was further readjusted. Fourth, retail prices were basically stable; people's livelihood continued to improve. The magnitude of retail price increases dropped considerably; the overall retail price level in 1990 was 2.1 percent higher than that in the previous year, which is much lower than the magnitude of increase in the previous year. Income of urban and rural residents continued to increase. Wages of staff members and workers in 1990 totalled 296 billion yuan, up 13 percent from the year before. Average cash income of staff members and workers reached 2,150 yuan, an increase of 9.7 percent over the previous year, after taking into account an increase in living expenses and prices. Average net income of peasants reached 630 yuan, 4.7 percent more than the previous year. Fifth, the scope of foreign trade and economic and technical exchanges with foreign countries were further broadened; the situation in international receipts and payments improved to a certain degree. The value of the total amount of import and export goods amounted to \$115.4 billion, an increase of 3.3 percent over the year before. Among this, \$62.1 billion were of export goods, an increase of 18.1 percent over the year before; \$53.4 billion were of import goods, 9.8 percent less than the year before. The situation in foreign exchange earning and spending improved notably; the state's spot exchange reserve amounted to \$11 billion, considerably enhancing the country's foreign payment ability. Sixth, scientific and technical work, education, and other social undertakings continued to develop.

While fully realizing the notable achievements we scored in improving and rectifying the economic environment and order, we should be soberly aware that some deeply-embedded problems in our economy remain to be solved; the entire economy is still grim. First, industrial production did not rebound in a balanced way; second, the problem of impeded economic circulation has not been completely solved; third, work in restructuring the economy proceeded slowly, and economic efficiency was relatively poor; fourth, the state's financial difficulties became aggravated.

Zou Jiahua continued: The year 1991 is the first of the Eighth Five-Year Plan. Striving to do a good job in 1991 has great significance in bringing about a good start to the new five-year plan, and to furthering political, economic, and social development. Based on the guidelines set by the Seventh Plenary Session of the 13th CPC Central Committee and taking the current situation into consideration, the general guiding principles for drawing up the 1991 plan were set as follows: Strictly following the basic line of centering on economic construction, of upholding the Four Cardinal Principles, and of adhering to the policy of reform and opening; continuing to improve and rectify the economic environment and order and to deepen reform; further improving economic order; while ensuring political, economic, and social stability, we should bring all positive factors into play to maintain a balance in aggregate production and to improve that balance; we should strive to restructure the economy and improve economic efficiency; and we should make positive efforts to expand the market and bring about a normal economic circulation and moderate economic growth, to enable the economy to develop in a sustained, steady, and coordinated manner.

Zou Jiahua said: The main objectives of national economic and social development in 1991 are: By improving the economic structure and efficiency, we shall strive to increase the total agricultural output value by 3.5 percent over the previous year, to increase total industrial output value by 6 percent, and to increase GNP by 4.5 percent. While maintaining a general balance among major economic sectors, we shall strive to overfulfill these targets. We shall develop the economy, expand financial sources, increase revenue, cut expenditure, ease financial difficulties, set a reasonable scale of credit, control the monetary issue and overall price level, and, according to our national strength, maintain moderate growth in investment and consumption. Total social fixed asset investment is set at 500 billion yuan. We shall strive to continue to raise the consumption level of urban and rural residents. In line with economic development, we shall strive to promote various social undertakings and socialist spiritual civilization. We shall continue to support economic development in old revolutionary, minority nationalities, frontier, and poor areas; we shall make positive efforts to promote lateral economic association and cooperation between economically developed and backward areas. We shall strive to promote reforms aimed at invigorating enterprises, and

broaden the scope of economic and technical exchanges and cooperation with foreign countries.

Speaking on the tasks for 1991, Zou Jiahua stressed the need to do a good job in the following six areas: First, we should continue to develop the agricultural industry and ensure that agriculture develops steadily. Second, while ensuring work in restructuring the economy and improving economic efficiency, we should strive to bring about moderate growth in industrial production and in communications and transport work. Third, we should continue to control the total amount of fixed asset investment, and further improve the investment structure. Fourth, we should make meticulous efforts to ensure commodity supply, strictly control prices, and ensure the supply of needs for people's daily life. Fifth, we should further broaden the scope of opening to the outside world, and strive to promote foreign trade and economic and technical exchanges and cooperation with foreign countries. Sixth, we should strive to make progress in the scientific and technological field, to further tap intellectual resources, and to further promote culture, public health, sports, and other social undertakings.

Zou Jiahua went on to say: To successfully fulfill the 1991 plan, we should concentrate our efforts on the following: First, we should focus our efforts on restructuring the economy, and strive to make an important step forward in this area. Second, we should launch Quality, Variety, and Efficiency Year activities on a large scale, and strive to improve economic quality and efficiency. Third, we should further expand market and ensure a normal economic circulation. Fourth, we should make positive efforts to refine and deepen reforms, and correctly handle relationships between economic development and deepening reform and improving and rectifying the economic environment and order. [passage omitted]

Bo Yibo Meets With Deputies From Shanxi

OW2703044591 Beijing XINHUA Domestic Service
in Chinese 1353 GMT 26 Mar 91

[By reporter Liu Haimin (0491 3189 3046)]

[Text] Beijing, 26 Mar (XINHUA)—Bo Yibo, vice chairman of the Central Advisory Commission, said at a meeting of the Shanxi delegation to the National People's Congress [NPC] this afternoon: It is very important for the Fourth Session of the Seventh NPC to develop democracy to the full. Deputies should speak out freely and offer advice on doubling the gross national product [of 1990] by the end of this century.

He said that before the meeting, he had heard the opinions and suggestions put forward by several Shanxi deputies before their departure from Taiyuan. Those opinions are very good. Deputies should say what they want to say, and state all their views. It does not matter

if such views are not quite complete. The party Central Committee and the State Council welcome differing views from deputies.

On Li Peng's report, Bo Yibo said: The achievements we have made are tremendous, which we should affirm. This will pluck up our courage. But, there are still problems, and even very important ones, in our economic work. We should further study and solve such problems. How can we solve these problems effectively? Everyone should be relied on to think of ways and offer advice in this regard.

Bo Yibo said: The 1990's is a crucial decade. If we cannot make a big economic breakthrough in three to five years, it will affect the entire process of national economic construction, which may make it impossible for us to achieve the second-step strategic objective. Everyone has a share of responsibility for the fate of the country. We are representatives of the people. At this session, we should do more thinking and put forward whatever opinions and suggestions we may have; we should do a good job in discussing the report [reference to the Li Peng report] and adopting resolutions according to actual conditions.

Bo Yibo stressed: The economic issue is also a political issue. Only when we really push the economy forward shall we be able to develop our undertakings and further improve the people's livelihood.

Hong Kong Delegates Hope for Increased Power

HK2703025991 Hong Kong SOUTH CHINA
MORNING POST in English 27 Mar 91 p 10

[By Chris Yeung in Beijing]

[Text] Hong Kong deputies to the Chinese National People's Congress (NPC) are hoping to increase the functions and power of local members by proposing the establishment of a Hong Kong and Macao affairs committee under the national legislature.

The special legislative committee will be a major vehicle through which local NPC members can fulfil their role as spokesmen for Hong Kong's interests.

The idea was floated among a group of delegates at an informal meeting yesterday. And a delegate will shortly draft a formal proposal to be submitted to the NPC for consideration.

Delegate, Mr Cheng Yiu-tong, said members shared the view that there should be greater co-ordination between the local deputies and the top echelon of the legislature in future in the face of increasing contact between the territory and the mainland at all levels.

"Very often, we do not know to whom we should talk over matters that are brought to our attention. As the

highest organ of power in the country, it's not appropriate for us to, say, refer some problems to the Hong Kong and Macao Affairs Office under the State Council," he said.

The delegates said their tentative ideas were that the committee should come directly under the full NPC instead of under its Standing Committee.

The Hong Kong committee should comprise both local deputies and delegates who have experience of and knowledge about Hong Kong and Macao affairs such as Mr Li Hou, a retired deputy director of the State Council's Hong Kong and Macao Affairs Office. Mr Li is still an NPC delegate for Shandong Province.

At present, there are several committees directly under the NPC which tackle such matters as nationalities, foreign affairs, and culture and science.

The local delegates said one major problem to be studied was the future of relations between the committee and the State Council's Hong Kong and Macao Affairs Office, which is the central Government's highest executive body on Hong Kong affairs.

"The NPC and the State Council are separate organs, and the State Council should come under the supervision of the NPC under Chinese laws. We have to clearly define the co-ordination between the two," he said.

Mr Cheng, also chairman of the pro-China Federation of Trade Unions, said local NPC members face certain constraints in fully exercising their powers.

He conceded that there was not much the local delegates could do to help solve the problems experienced by Hong Kong residents working in or visiting the mainland.

Mr Cheng said he had received more letters requesting assistance from local people in the past year, most of which dealt with disputes over their property on the mainland and alleged malpractices by law-and-order organs on the mainland.

These included the case of Hong Kong businessman, Luo Hai-sing, who was jailed for five years for allegedly offering shelter to dissidents.

Most of the complaints had to be referred to the relevant bodies on the mainland for investigation, he said.

The formation of a committee on the Hong Kong and Macao Affairs office would streamline the links between NPC leadership and the local delegates and ensure that Hong Kong's concerns would be properly taken care of, he said.

Mr Cheng said they had yet to formally raise the issue with mainland officials and leading members of the NPC.

At present, there are 18 local delegates, including Mr Zhou Nan, director of the local branch of the New China

News Agency, and Mr Henry Fok Ying-tung, a pro-China businessman. Both sit on the 165-member Standing Committee of the NPC chaired by Mr Wan Li.

Foreign Minister Qian Qichen Meets Press

OW2703104191 Beijing Central Television Program
One Network in Mandarin 0658 GMT 27 Mar 91

[News conference by Yao Guang, spokesman for the Fourth Session of the Seventh National People's Congress, for Chinese and foreign journalists, attended by Foreign Minister Qian Qichen, held in the Great Hall of the People in Beijing; Chinese leaders speak in Mandarin with remarks are translated into English by an interpreter; reporters' questions in English are translated into Mandarin by an interpreter, and vice versa; the following translation is from the Mandarin except for questions asked in English—live]

[Text] [Video opens with a caption board reading: "Foreign Minister Qian Qichen Answers Reporters' Questions (on-site relay)," then cuts to a long shot of the hall]

[Announcer] This is Central Television Station. Dear audience: Yao Guang, spokesman of the Fourth Session of the Seventh National People's Congress, holds a news conference for Chinese and foreign journalists at 1500 [0700 GMT] today in the Great Hall of the People. Foreign Minister Qian Qichen is invited to the conference to answer questions by Chinese and foreign journalists on our country's foreign policy and the international situation. We are giving an on-site relay of the news conference for Chinese and foreign journalists in the Great Hall of the People. [Video shows Qian Qichen, Yao Guang, and others coming to take seats at a long table]

Today many journalists have come for the news conference. They are waiting to put questions to Foreign Minister Qian Qichen. [Video shows table, with Yao Guang, an unidentified interpreter, Qian Qichen, and two unidentified individuals seated, from left to right]

[Yao Guang] Ladies and gentlemen, good afternoon. Now, Foreign Minister Qian Qichen will answer your questions on our country's foreign policy. Will Foreign Minister Qian say something? [Video gives closeup of Qian Qichen, followed by shots of the reporters]

[Qian Qichen] Ladies and gentlemen, I am very glad to meet the press today. With regard to the international situation and China's foreign policy, Premier Li Peng's report has given a comprehensive elaboration. If you have any questions, I am willing to answer. [Video then alternates shots of reporters and Qian Qichen, interspersed with pan shots of the hall]

[SOUTH CHINA MORNING POST Reporter, in English] I am from SOUTH CHINA MORNING POST. I would like to ask the minister: Recently China has agreed to give the Soviet Union over \$700 million worth of aid, and I am wondering whether, in return, the Soviet

Union has agreed to sell to China any weaponry. In addition, I would like to ask you about your opinion of Soviet weaponry after the Gulf war. I know this question should, perhaps, be best put to the defense minister, but we have no press conference with the defense minister, so I hope you will help me out. Thanks.

[Qian] I think what China will provide the Soviet Union is a commodity loan in the amount of 1 billion Swiss francs. Before this, we had provided a 500-million-Swiss-francs commodity loan. These commodity loans will be repaid in kind according to the agreement reached between the two sides. The lists of supplies in repayment of the loans contain no weaponry whatsoever.

[SINDAO DAILY Reporter] I am from Hong Kong's SINDAO DAILY. I wish to ask several questions. In a few days, British Foreign Secretary Mr. Douglas Hurd will visit China. What are the main items about Hong Kong that will be discussed during this visit between China and the British side, will the issue concerning the construction of an airport in Hong Kong be resolved through this visit, and what role will this visit play in terms of developing Sino-British relations and the peaceful transition in Hong Kong?

[Qian] During His Excellency British Foreign Secretary Mr. Douglas Hurd's visit to China, I will discuss the international situation, Sino-British bilateral relations, and of course, the issue of Hong Kong with Mr. Douglas Hurd. Concerning the construction of a new airport in Hong Kong, we agree that Hong Kong indeed needs a new airport. We agree with that idea, but we believe that in building this airport the cost should be minimized and it should bring great economic benefit and should benefit the residents of Hong Kong, rather than putting a heavy burden on the people in Hong Kong. Since this project is of the largest scale and a most costly major project that will extend beyond 1997, the Chinese and British Governments now are conducting consultations on this issue and have made certain progress. I hope that through this visit by the British foreign secretary, this issue can be solved in a satisfactory way. I believe the consultations between the two countries, as well as the talks between the two foreign ministers, will have a significant bearing on maintaining stability and prosperity in Hong Kong.

[KYODO Reporter] Mr. Foreign Minister, I am from Japan's KYODO NEWS AGENCY. Your Excellency, Mr. Foreign Minister, I wish to ask you: To which country do the four northern islands of Japan belong? In the past, China used to support Japan's insistence on recovering those northern islands; has China retreated from its position? Thank you.

[Qian] I want to tell you that there has been no change in China's position concerning the northern territories of Japan. Now Japan and the Soviet Union have put this issue on their agenda for negotiations. We hope that through negotiations, they can find a proper solution.

[VOA Reporter, in English] I am from Voice of America. Mr. Foreign Minister, in his work report Premier Li

Peng said China's defense forces need to be modernized to cope with complicated and rapidly changing international situation. In this time of high budget deficit in China, what foreign policy challenges and considerations have prompted a 12-percent increase in defense spending, as we heard in the speech yesterday by the finance minister?

[Qian] I think that China needs its own defense. This point is very clear. As to China's national defense expenditures, it should be said that it accounts for a very small proportion and also in terms of the absolute amount. China's defense spending is indeed very, very limited. According to our defense budget for 1991, the defense spending is 32 billion [no currency specified]; that is only about \$5 or \$6 on per capita basis. I am convinced that this is a very low level.

[(Qiu Qifeng)] Good afternoon, Mr. Minister. I am (Qiu Qifeng), Hong Kong correspondent for Singapore's LIANHE ZAOBAO. Premier Li Peng said on his last visit to Singapore that China is willing to cooperate with those countries related to the Nansha [Spratly] Archipelago and Nan Hai [South China Sea] in a joint effort to develop marine resources there. Will Singapore be invited to join such a project? How is the project progressing? In addition, Taiwan now occupies Taiping Island, the largest island of the Nansha Archipelago. Will Taiwan be invited to take part in this project of joint development of Nan Hai marine resources? And in what form? Thank you.

[Qian] The sovereignty over the Nansha Archipelago belongs to China. This is very clear. After World War II, the then-Chinese Government took back the Nansha Archipelago. Our present position is: Under the condition that China holds sovereignty over the Nansha Archipelago, we are willing to consult with the other countries concerned on a joint development project, but we have no concrete plan at present, nor has the time arrived for calling for such a meeting. The fact that the Taiping Island is presently in the hands of Taiwan is precisely a proof that the Nansha Archipelago is part of China.

[(Ta Weier)] I am reporter (Ta Weier), from the Asia Television Station in Hong Kong. I wish to ask Mr. Minister: When the British foreign secretary visits China, will he make preparations for a forthcoming visit by British Prime Minister Major? Will high-level Chinese state leaders visit Britain? In addition, with regard to the issue of the Hong Kong airport, we understand the Chinese side hopes that the Hong Kong Government will leave a sufficient amount of money to the future Special Administrative Zone government, but there are comments in Hong Kong that this will adversely affect the flexible use of funds by the Hong Kong Government during the transitional period. What do you think of such comments on this, Mr. Minister? Thank you.

[Qian] I think that the forthcoming visit by British Foreign Secretary Douglas Hurd will play a positive role

in promoting our bilateral relations. I think I can say that this visit is an indication that Sino-British relations are gradually returning to normal. After our two countries had successfully resolved the Hong Kong issue, Sino-British relations reached a better-than-ever level. Despite the difficulties experienced since June 1989, the two sides have maintained contacts. In December 1989, British Prime Minister Thatcher sent special envoy Craddock to visit China, then British Foreign Secretary Maud and our Vice Foreign Minister Tian Zengpei exchanged visits. I myself met with Mr. Major, who was foreign secretary at that time, and Mr. Hurd, who is the present foreign secretary, in many international meetings. So I believe that Sino-British relations will develop continuously. [During the English translation, when the interpreter reaches this point, Qian Qichen whispers to him: Foreign Secretary Hurd's visit signifies Sino-British relations (words indistinct)]. As for the Sino-British consultations on the construction of the new Hong Kong airport, I think this will not affect the administrative capability of the present Hong Kong administrative authorities. With regard to all major issues during Hong Kong's transitional period, particularly those concerning matters after 1997, in accordance with the Sino-British Joint Declaration, the Chinese and British sides should conduct close cooperation. I believe such cooperation is in the interest of Hong Kong's stability and prosperity.

[EUROPE TIMES Reporter] How are you, Mr. Foreign Minister? I am a reporter from EUROPE TIMES, of France. France was the first country, among all the West European countries, to establish diplomatic relations with China. However, after the 4 June incident, Sino-French relations were reduced to their lowest ebb. Now the two sides have been working actively to restore and further develop their diplomatic relations. It has been reported recently that French Foreign Minister Dumas and French Prime Minister Rocard might visit China within the year. What comments do you have on this? In addition, what reciprocal measures will China take to further restore and develop Sino-French relations? Thank you.

[Qian] I think you know that Zou Jiahua, who is a state councillor and also minister of the State Planning Commission, once visited France. During his visit, he conveyed to Prime Minister Rocard an invitation from China's premier for him to visit China; Mr. Rocard accepted that invitation. Also, I think you know that French Foreign Minister Dumas will be visiting China soon, and he will preside over an inauguration ceremony for the opening of the French Consulate General in Guangzhou. So we are looking forward to the realization of these high-level visits.

[Soviet Broadcasting Station Reporter] I am from the Soviet Broadcasting Station. Mr. Foreign Minister, the Soviet foreign minister will be visiting China in a few days. Minister Qian Qichen, I wish to ask you a question. What will be the most important issues you will discuss with him? Will this visit serve to further develop Sino-Soviet relations? Thank you.

[Qian] I have never met new Soviet Foreign Minister Bessmertnykh, so his visit will be both a get-acquainted visit and a working visit. As permanent members of the UN Security Council, both China and the Soviet Union assume major responsibilities for maintaining world peace, so it is only natural for us to maintain contacts and to increase contacts and consultations on important international affairs. Also during his visit, we will discuss preparations for the coming visit of Secretary General Jiang Zeming to the Soviet Union.

[Li Yen-chiu] I am Li Yen-chiu, a reporter from Taiwan's Chinese Television Corporation. On the issue of reunification of the two sides of the Taiwan Strait, the Taiwan side has one precondition, which is that it wishes to have room for activities in the international community. However, the Communist Party of China has always tried to suffocate such attempts by Taiwan in international affairs. Will this adversely affect the process of reunifying the two sides of the Taiwan Strait? My other question is: Will the Communist Party of China obstruct Taiwan's joining the GATT? Thank you.

[Qian] The Taiwan authorities advocate the reunification of the country; we welcome the indication made by the Taiwan authorities about the reunification of China. However, we believe that although, in economic terms, Taiwan has extensive international connections, its attempt to secure so-called living space as a political entity in the international arena will result only in prolonging the division between the two sides of the Taiwan Strait rather than serving the interests of the reunification of China. Therefore, we hope the Taiwan authorities will think thrice before taking any action, and we hope the Taiwan authorities can do something very solid for the development of relations across the Taiwan Strait and for promoting the reunification of the country. Since Taiwan is not an independent state, it naturally is not qualified to take part in the GATT. Only with the approval of the PRC, can Taiwan take part in the GATT as a region.

[REUTER Reporter] I'm from REUTER. Yesterday in Jerusalem, I saw an Israeli official tell a radio that the next few months will bring a very positive development between the China-Israeli relations. And he said: We are talking about normalization. Could you please talk about the process of normalization of relations between Israel and China? And how will it affect your relations with the Palestinian state? Thank you very much.

[Qian] China and Israel have exchanged some offices. That is to say the Israeli Academy of Sciences has established an office in Beijing, while the Chinese Administration of Tourism has established an office in Israel. Except for this, there is no political tie between China and Israel. Recently, an Israeli official visited China in his private capacity. There is no such thing as establishing diplomatic relations between the two countries.

[Yao Jinying] I am Yao Jinying, from the Central People's Broadcasting Station. Mr. Foreign Minister, how do you evaluate the status of Sino-U.S. relations, and what obstacles do you think should be removed for the development of Sino-U.S. relations? Thank you.

[Qian] In his report, Premier Li Peng reiterated that China attaches great importance to Sino-U.S. relations and that China is ready to restore and further develop its relations with the United States. U.S. President Bush also has indicated on many occasions the attention he pays to developing relations with China. However, for the restoration and smooth development of Sino-U.S. relations, there must be a basis, and that basis is the principles laid down in the three Sino-U.S. joint communiques. As long as these principles are observed, Sino-U.S. relations will enjoy smooth development.

[Zhang Jiefeng] I am Zhang Jiefeng, a reporter for Hong Kong's SING PAO DAILY NEWS. China and Japan now have set aside the issue of the Diaoyu [Senkaku] Islands. However, we saw last October that Japan again took a very strong position on sovereignty over the islands, showing that as long as this dispute is not settled, it could easily touch off new conflicts. So, Mr. Foreign Minister, under what circumstances will China hope to negotiate the issue of the Diaoyu Islands with Japan? That is to say, what do you think is the best time to talk about this issue?

[Qian] The Diaoyu Islands are part of the Chinese territory. This is our position. We know that Japan thinks otherwise. China and Japan already have reached an understanding that this issue should be set aside for the time being, and that neither side will do anything that will sharpen the situation. We hope the Japanese side can abide by this understanding.

[THE NEW YORK TIMES Reporter, in English] I am with THE NEW YORK TIMES. The visit in December by the U.S. assistant secretary of state for human rights stirred interest. Is it correct that China now believes it is acceptable to discuss its human rights situation with foreign countries? Is that now a topic it is willing to address in bilateral or multilateral discussions? Thank you.

[Qian] I think it is more correct to say that China would like to discuss this issue of human rights with other countries on multinational and international occasions, not just discuss the human rights situation in China. Some people say that human rights issues have no boundaries. This does not square with the facts because according to international law the realization and guarantee of human rights must be brought about through the domestic laws of various countries, so naturally, the principle of state sovereignty cannot be ruled out in this respect. For example, the United States has been advocating human rights, but so far it has failed to ratify the two most important international human rights covenants. It has failed to sign a series of human rights

conventions, for example, on apartheid, racial discrimination, the prohibition of torture, and discrimination against women. The United States has been doing this on the grounds that human rights essentially fall under the domestic jurisdiction of each country and that some of the articles of the above-mentioned conventions conflict with the domestic laws of the United States. If anyone thinks that human rights have international standards, then those standards must find expression in various international human rights conventions.

[TIME MAGAZINE Reporter, in English] I am with TIME MAGAZINE. A Chinese thinker once advised that to win victories, it is important to know one's enemy or enemies and one's friends. In these rapidly changing times, who are China's enemies? Who are your allies? Is the old theory of three worlds still valid? If not, what philosophy guides China's foreign policy? Thank you. [Question is correctly translated by the interpreter, except for the part: "Is the old theory of three worlds still valid?"; which is translated as: "Is the old Third World theory still valid?"]

[Qian] First of all, it is our position that a country should have as many friends and as few enemies as possible. I think all countries are considering things along this line. I think the existence of Third World countries is an objective fact, and that those Third World countries account for an overwhelming majority of the more than 100 countries in the world. China stands ready to further develop solidarity and cooperation with developing countries: the Third World countries. China also is ready to further develop good-neighborly relations with countries bordering China. We do not want to deliberately antagonize any other country. However, if any country should oppose China, then China would be left with no other choice.

[TIME MAGAZINE Reporter, in English] I am sorry; I think you mistranslated one part of my question. I was asking about the theory of three worlds, not just Third World, meaning dividing the world into three: The superpowers, on the one hand, and then the Second World and the Third World. So, I am asking if, say, are there still superpowers, the hegemonists? Are they the enemies of the Third World? And you are trying to ally with the Second World against superpowers?

[Interpreter] I think the interpretation is correct, but perhaps the foreign minister has not finished his remarks.

[Qian] As to whether there are still superpowers now, since some countries still claim that they are superpowers, I think there are indeed superpowers. As for what is meant by hegemonism, whether it means any particular country, here I want to clarify one point, that is to say, it is not directed against any country, but rather it refers to a kind of conduct that undermines the norms governing international relations. Here I would like to refer to the 1972 Sino-U.S. Shanghai Communiqué and the 1989 Sino-Soviet Joint Communiqué. In these two

communiques, each side renounces hegemony and is opposed to attempts by any other country to establish such hegemony.

[UNITED PRESS INTERNATIONAL Reporter, in English] I'm from UPI. Mr. Minister, now that the Gulf war has ended, does China have second thoughts about being the only major nation that was too nervous to support the coalition in removing Iraq from Kuwait? Do you think that, in retrospect, this will in fact hurt China's ability to be a player in the Middle East, and in the world in general?

[Qian] I think there is no need for us to have any second thoughts about this because it is a universally recognized norm governing international relations that international disputes and regional conflicts should be settled politically and the use of force should be avoided. The Gulf war has not changed this basic norm. On the contrary, the fact that after the Gulf war we still have to return to the search for a political settlement of the Middle East issues shows that the use of force cannot solve all the problems. Moreover, the Gulf war should not be used as a precedent that international disputes can be settled by force.

[Wang Jian] I am Wang Jian, of the ECONOMIC DAILY of Hong Kong. Foreign Minister Qian, I would like to know whether your ability can make you a vice premier or state councillor? Thank you.

[Qian] Elections are held only for people who run for parliaments or congresses; there are no elections for ministers, and all ministers are appointed, so are premiers and vice premiers. I think this is the case in all countries.

[HOKKAIDO SHIMBUN Reporter] I am from Japan's HOKKAIDO SHIMBUN, and I have a question about the northern territories. Recently, a Japanese minister visited China. During the visit, you told him that you understood and sympathized with Japan's position. We do not quite understand your understanding and sympathy. Can you elaborate?

[Qian] As you know, China has never changed its position with regard to Japan's northern territories. However, Japan and the Soviet Union now have begun negotiations on this issue. Sometimes this formula will come out, sometimes that formula is leaked out, and sometimes there are even talks that the territories could be exchanged for a certain amount of money, so we cannot make any specific reaction to all these formulas.

[Wang Mingyi] I am Wang Mingyi, of Taiwan's CHUNG KUO SHI PAO. I have a follow-up question on the one posed by another Taiwan correspondent a while ago. Mr. Foreign Minister, you said a while ago that Taiwan is not an independent country and therefore it is not qualified to be a GATT member. However, I think that you have neglected the fact that, before the adjustment was made in the relations between the two sides of the Taiwan Strait, both the Republic of China on Taiwan and the

People's Republic of China on the mainland were states or political entities recognized by the international community. So I would like to know what kind of trouble or pressure has Taiwan's substantive foreign policy exerted on the PRC's foreign policy?

[Qian] I think the Taiwan authorities also advocate that there is only one China. I think it is wrong to say, as you mentioned just now, that there are two Chinas in the world. Moreover, it is the People's Republic of China that is universally recognized by the international community. The United Nations and other international organizations also recognize the PRC. So I would like to correct you in this respect.

[LE FIGARO Reporter, in English] I am a reporter from LE FIGARO of France. Mr. Minister, was it easier to conduct China's foreign policy when there were two superpowers in the world than it is today? We like to know, also, whether you wish the Soviet Union... [pauses] ...whether it is easier for China, in its relationship with the Soviet Union, to have Moscow and the Soviet Union at the present stage or to have it more powerful? Thank you.

[Interpreter, in English] Excuse me, will you please repeat your question?

[LE FIGARO Reporter, in English] The second part?

[Interpreter, in English] Yes.

[LE FIGARO Reporter, in English] The second part is, I wish, we like to know whether for China it is better to have a Soviet Union which is weakened in the international scene, as it is now, or does China wish a stronger Soviet Union?

[Qian] I think that whether there is one superpower or two superpowers in the world, they cannot monopolize international affairs. We hope the Soviet Union, which is a neighbor of our country, can stabilize its situation and achieve success in its reform.

[NEWSWEEK Reporter, in English] I am from NEWSWEEK. In the wake of the Gulf war, there is a great deal of concern about weapons proliferation around the world, particularly Second and Third World countries. Does China have any plan to limit its own weapons exports in the future? And secondly, will China abide by the missile technology control regime?

[Qian] On the question of control of missiles, recently in Tokyo, a 15-nation meeting on missile technology control regime was convened, but China did not attend that meeting. Those countries that did not attend the meeting should not be called upon to assume corresponding obligations to an agreement reached among some other countries. Concerning China's arms exports, China has always acted in a very prudent and responsible way, and actually, I think I can say that China's arms sales are very, very limited. We hope that the largest weapons exporters in the world can adopt practical and effective

measures of self-restraint. Now nuclear weapons proliferation is prohibited in the world. We also have in hand a convention on prohibition of biological weapons, while negotiations on a convention on prohibition of chemical weapons also are under way. However, there are no provisions concerning conventional weapons. We hope that the largest weapons exporters in the world can exercise restraint.

[Unidentified speaker] Now the last question.

[SANKEI SHIMBUN Reporter] I am a reporter from Japan's SANKEI SHIMBUN. Minister Qian, I wish to ask you a question: Premier Li Peng said in his speech on 25 March that there is a tendency on the part of a tiny minority of people in Japan to try to revive Japanese militarism. I would like to know about the specific implication of these remarks about militarism made by Premier Li Peng. Can you tell us more specifically? Thanks.

[Qian] Since the end of World War II, militarism has been spurned and repudiated by the overwhelming majority of the Japanese people, but it is also true that there is a tiny minority of people who have never relented in their efforts to make use of all opportunities and resort to all means to deny the historical crimes committed by militarists; they have been advocating the rearmament of Japan over and above the needs of self-defense. So both China and Japan should be on guard against this tendency. This is only natural.

[Yao Guang] The news conference is now over. We still have another announcement to make. Please remain where you are.

[Announcer] Viewers and comrades: We are now ending the live relay of Foreign Minister Qian Qichen's news conference. Thank you for your viewing. Good-bye.

Deputies Discuss Control of Financial Deficit

OW2703024091 Beijing XINHUA in English
0219 GMT 27 Mar 91

[Text] Beijing, March 27 (XINHUA)—Several Chinese legislators today described the gradual reduction of China's financial deficit as one of the major tasks in the financial field.

But they considered the current deficit figure within the country's economic capacity.

Deputies from eastern China, who are attending the current Fourth Session of the Seventh National People's Congress (NPC), showed a measure of understanding of the bigger deficit for 1990 than what had been projected in the budget while calling for effective measures to bring the deficit under control.

Last year, China's deficit came to 15.043 billion yuan, 6.151 billion yuan more than the budgeted figure, according to a report delivered by Finance Minister Wang Bingqian Tuesday.

No sizable cut in the deficit is likely this year. But the government hopes to keep the deficit within the scope that the country can endure, Wang said.

Deputy Chen Guoqiang, president of the Zhejiang Provincial Branch of the People's Bank of China, said it is impossible for China to wipe out all deficit in view of the fact that the money market in China is undeveloped, and the revenues collected by the central government still provide the principal source for China's economic construction.

Professor Zhang Zhongli, president of the Shanghai Academy of Social Sciences, viewed deficit as something unformidable for a developing country like China so long as the figure is kept at a certain ratio in the country's state revenues.

However, he added, "Our country's limited funds must be spent on where they are most needed."

Statistics show that the budgeted expenditure for agriculture in 1990 increased by 11 percent over the previous year; that for education, 11.2 percent; and that for science and technology, 16.1 percent. All were listed as priorities in China's economic development.

"Understanding shouldn't mean relaxation of control over deficit," said Jiang Qiwen, director of the Jiangsu Provincial Bureau of Finance.

An analysis of the root cause for the growing deficit over the past few years revealed some complicated problems in the country's economic sphere, he said, adding that the government should adopt prompt measures to solve these problems.

According to figures released by the State Statistics Bureau, the amount of profits and taxes turned over to the state by industrial enterprises reduced by 40 percent in the 1986-90 period, China's Seventh Five-Year Plan.

In the value of gross domestic product, the ratio of the central government went down by 4.7 percent while that of the collectives and individuals went up by 2.1 and 2.6 percent respectively.

Furthermore, subsidies which amounted to one-third of the country's total revenues, have become a heavy burden for the central government.

Zheng Linsun, chief accountant of the Shanghai Branch of the Industrial and Commercial Bank of China, advised the government to reduce deficit by deepening reforms in the fields of finance, taxation, enterprises and price and by improving economic performance during the 1991-95 period.

Many deputies urged the government to speed up the building of a system which fixes a reasonable ratio of taxes shared by the central and local authorities so as to ensure a simultaneous growth of financial revenues and national income and make the structure of tax distribution more reasonable.

They also advised the government to readjust the prices of state-subsidized products such as grain, agriculture-related production materials and petroleum in a bid to reduce subsidies in this respect.

Deputies on Improving Economic Performance

OW2703091591 Beijing XINHUA in English
0842 GMT 27 Mar 91

[Text] Beijing, March 27 (XINHUA)—China must make tangible efforts for better economic performance before it can overcome the difficulties facing its economic development, said some deputies to the current session of the National People's Congress (NPC), the Chinese version of parliament which meets for a two-week session once a year.

Many of the NPC deputies, totalling some 3,000, are officials in charge of local economic work and directors of large and medium-sized enterprises.

While voicing their support to the task of developing the economy centering around raising economic performance as put forward by Premier Li Peng in his key-note report at the on-going NPC session Monday, they offered their own views on the whys of the prevailing poor economic performance and the ways to solve the knotty problem.

In his report which deals significantly with economic performance, Li Peng said, "we have stressed this task for many years, and progress has been made in quite a few areas. However generally speaking, there has been no fundamental change."

Economy professor Song Zexing from northeast China's Liaoning Province in one of China's heavy industrial centers, considered the pursuit of excessive growth in production and output value over a period of time as the root-cause of persistent poor economic performance.

"Pursuit for speed covered up the problem of poor economic performance," he noted.

Governor Ge Hongsheng of east China's Zhejiang Province maintained that China must shift its emphasis from growth speed and output value to quality and performance in economic work.

Many NPC deputies took the existing industrial structure and internal management as the main factors impeding the growth of industrial enterprises.

Jiang Qiwen, director of the Jiangsu Provincial Bureau of Finance, regarded high consumption of resources in industrial production as one of the root-causes of poor economic performance.

Taking Jiangsu which leads other provinces in the total value of industrial and agricultural output as an example, Jiang said, consumption of raw materials cost 80 percent of every 100 yuan output value, five times that in the developed countries.

Besides, he added, the operation mechanism of "independent management, being responsible for one's own profits and losses, self-retained and self-development", which was advocated many years ago, has yet to come into being. Enterprises have no final say in such matters as employment and wages.

Fan Baling, vice-mayor of Jiaxing City in Zhejiang Province, said that the key to better economic performance is to bring the workers' initiative to full play.

She warned against the growing tendency of egalitarianism in factories where wages and bonuses are given out as usual although these factories are operating under capacity or suspended.

According to her, the measures proposed by the government are not strong enough to solve the problem of poor economic performance.

Among the NPC deputies, leaders of China's two large iron and steel companies talked about the need of instituting effective management mechanism in enterprises. Both companies have signed contracts with the government with different contents.

Since 1981, the capital iron and steel works in Beijing has adopted a contract system under which it has to turn over to the state its profits at an annual growth rate of 7.2 percent, with the rest retained by the works, and the state will make no investment in the company.

Zhou Guanwu secretary of the Chinese Communist Party Committee of Works, said that his company obtained the right to retain the surplus profits above the quota fixed in the contract, which is twice or thrice the figure in the contracts for other enterprises, so that it can develop independently.

These years, the company's profits have been growing by an annual average of 21 percent.

Zhou held that the government should allow the enterprises more financial resources at their disposal.

Now, many enterprises can only retain some ten percent of their profits, said Zhou. As a result, upgrading technology, improving employees' living standard, distribution "to each according to his work" and self-development cannot be put into practice.

Zhang Yu, party secretary of the Anshan Iron and Steel Works in Liaoning Province, said that under the contract his company signed with five ministries and commissions, the tax rates and items change from time to time and 93 percent of his company's production is covered by the state's mandatory plan.

However, he complained, there is no guarantee for the supply of the coal, electricity and ferro-alloys his company needs to fulfill the state quotas, and his works has difficulty for development.

Professor Song Zexing, the economist, put forward measures to raise economic efficiency. Enterprises should enjoy greater autonomy in management and operation and the proportion of mandatory plan be reduced, he said.

Large enterprises with adequate conditions should have been allowed to engage in foreign economic exchanges, he added. And share-holding system should be tried out in the process of organizing enterprise groups.

Within the enterprises, he said, a mechanism which encourages technological progress should be set up so as to improve the economic performance by way of bettering the elements in production such as technology, management, quality and cost.

Hu Qili 'Focus of Attention' at Session

HK2603145691 Hong Kong WEN WEI PO in Chinese
26 Mar 91 p 2

[Dispatch by WEN WEI PO coverage team: "Hu Qili Was the 'Focus of Attention'"]

[Text] Beijing, 25 Mar—Hu Qili, former CPC Political Bureau Standing Committee member and a Tianjin Municipality deputy to the National People's Congress [NPC], became the "hottest man" as he did at the last NPC session, sought out by many reporters for special interviews and NPC deputies and staff for his autograph. On his feelings about participating in the present NPC session, he told reporters that he wished the country progress economic prosperity and the people happiness. When asked about his recent life, he replied that he is still living in Beijing and spends time visiting friends and looking around. Before the session began or during its breaks, Hu Qili would, smiling, sign his name on the meeting souvenir envelopes presented to him for his autograph. An NPC deputy next to him joked to him, Comrade Qili, it would be much more convenient if you brought a seal next time; at this both Hu Qili and those surrounding him laughed. After the opening ceremony a Hong Kong reporter asked him: When will you get back to work? Hu Qili immediately answered: Can you not see that I am working? As revealed by persons who know him, Hu Qili loves playing tennis and now often plays tennis with high-ranking party and state leaders.

Treatment Analyzed

HK2703024591 Hong Kong SOUTH CHINA
MORNING POST in English 27 Mar 91 p 10

["Analysis" by Willy Wo-Lap Lam]

[Text] The hero status accorded to the ousted member of the Politburo Standing Committee, Mr Hu Qili, at this session of the National People's Congress (NPC) illustrates the longing among Chinese for officials with a reformist reputation.

Mr Hu, who lost his job together with former party chief Mr Zhao Ziyang at the end of June 1989, used to be in charge of ideology and propaganda.

While he had a penchant for bending with the wind, Mr Hu had stuck to a liberal agenda by advocating a policy of "tolerance and openness" in ideology and culture. The former Tianjin mayor was the only Politburo member who supported Mr Zhao's conciliatory approach to the student demonstrators.

On Monday and yesterday, Mr Hu, who is attending the legislative session as an ordinary deputy from Tianjin, was mobbed by foreign and Hong Kong reporters. So many of his fellow NPC delegates and congress staff sought his signature that a colleague joked he should carry his seal with him next time.

"I wish the country will progress, the economy will prosper, and the people will be happy," he said.

Mr Hu's friends said he still played tennis regularly with such relatively moderate politicians as NPC Chairman Mr Wan Li and Politburo member Mr Li Ruihuan.

Other close colleagues of Mr Zhao and the late party chief, Mr Hu Yaobang, however, have not fared so well.

Former chief of the United Front Department, Mr Yan Mingfu, who acted as Mr Zhao's "intermediary" with liberal intellectuals in the spring of 1989, almost failed to be re-registered as a member of the Chinese Communist Party late last year.

Mr Yan, who was once a protégé of senior leader Mr Deng Xiaoping and President Mr Yang Shangkun, still has friends within the conservative leadership. However, proposals that he be given a new job were rejected by hard-liners, including the Chairman of the Chinese People's Political Consultative Conference, Mr Li Xiannian.

Chinese sources who have met him recently said, contrary to rumours, Mr Yan was in good health. He swims three times a week in the pool for senior cadres within the Zhongnanhai party headquarters.

However, Mr Yan lives a secluded life, and he has stopped seeing his mentors, including Mr Yang.

Another liberal leader who barely kept his party affiliation in the membership re-registration drive last year was the ousted party secretary of the All-China Federation of Trade Unions, Mr Zhu Houze.

Mr Zhu, a former chief of propaganda, lost his job in late 1989 because the federation had provided monetary and material support to the student demonstrators. Like Mr Hu Qili, Mr Zhu is a member of the so-called Communist Youth League clique in the party, whose leader was Mr Hu Yaobang.

Late last year, while the hard-line ideologues allowed Mr Zhu to re-register as a party member, they gave him a

"serious warning" for allegedly breaching party discipline. Mr Zhu refused to put his signature to the document that listed his "aberrations".

Chinese sources said that last year, the party's Organization Department had considered rehabilitating Mr Zhu by appointing him as vice-head at a major economic research unit in the State Council. Again opposition from the conservative faction blocked the move.

Like Mr Yan, Mr Zhu is a frequent patron of the sports compound in Zhongnanhai.

Among the bona fide "liberal faction" that Mr Zhao and Mr Hu Yaobang had headed, only a few members still retain positions of power.

They include the vice-chief of the United Front Department in charge of Taiwan affairs, Ms Wan Shaofen, and the party boss of Tibet, Mr Hu Jintao.

Both Ms Wan and Mr Hu Jintao are also prominent members of the Communist Youth League clique.

Although she has impressed Taiwan politicians and journalists with her commitment to reform and the open door policy, analysts say it is unlikely she will go further up the hierarchy.

Mr Hu Jintao has recently complained to intimates in Beijing that in spite of his young age, the harsh climate in Tibet is damaging his health.

If, as has been reported, Mr Hu Jintao is transferred out of Tibet, analysts say it is unlikely he will be given a more substantial portfolio.

CPPCC

Li Peng Report, Development Plan Discussed

OW2603152191 Beijing XINHUA in English
1448 GMT 26 Mar 91

[Text] Beijing, March 26 (XINHUA)—Members of China's largest advisory body, the Chinese People's Political Consultative Conference (CPPCC), today described Premier Li Peng's report on five- and ten-year development program as "encouraging."

The blueprint for China's economic and social development in next decade has presented a hopeful future for the country, said members of the Seventh National Committee of the CPPCC when discussing the report this afternoon.

Li Shoubao, president of the Shanghai Branch of the Chinese People's Association for Friendship With Foreign Countries, said China has made great achievements over the past ten years, the greatest of which is that it has provided many experiences for future development.

Through these years, people are more confident of building socialism with Chinese characteristics, he stressed.

Meanwhile, Li added, facts in these years also show that more importance should be attached to building a clean and honest government and to cultural and ideological development.

He Xin, a newly-elected CPPCC member and an associate research fellow with the Chinese Academy of Social Sciences, said that the report is the best among government work reports in recent years. Its most striking characteristics are steady and practical. The judgement about domestic and international situation in the report is "very calm" and dialectical—fully estimating the achievements while calmly seeing the seriousness and tremendousness of the problems.

For instance, the report singled out poor circulation and poor economic performance as the crux of the economic problems. The practicalness of the report is shown by the fact that the targets set in the report are real and specific instead of being vague and in general terms, and most of them are posed for solution of problems in economic work.

"Such guidelines based on seeking truth from facts and looking squarely at reality and difficulties will enable us to unite and work hard to overcome difficulties," he said.

Chen Keji, a Standing Committee member of the China Association for Science and Technology, said that the development program for the coming decade is something extending to the next century. The targets of increasing the national strength and securing a comfortable life for the people are herculean. This needs an excellent blueprint.

He compared the economic targets with building a house, which not only needs a good framework but also specific and metrical internal furnishing. As the outline and policies are ready, the specific aspects should be more prudent, including proper import of materials, rational use of foreign debt and stress on the development of national industries.

Wu Zhengkai, a Standing Committee member of the Science and Technology Committee under the Ministry of Nuclear Industry, said that the report mentioned maintaining proper economic development speed, which should be given more stress economic development should conform to the economic law and China's realities. [sentence as received]

At present, the mentality of impatience for quick success and high speed in economic development has reappeared in some areas. The central authorities must adopt effective measures to restrain this, Wu added.

S. Liang, vice-president of the Hong Kong Chinese Chamber of Commerce, said, the next ten years are very important for Hong Kong. Facts in the 1980s proved economic development on the mainland boosted Hong Kong's prosperity.

Both China's ten-year program and Eighth Five-Year Plan are realistic, he ventured. Implementation of the two plans will bring new hope for the sustained prosperity of Hong Kong.

F.Y. Kan, a noted surveyor from Hong Kong, said, "I'm satisfied with the report delivered by Premier Li Peng."

He regarded poor economic performance in industry as the key factor impeding the economic development on the mainland, saying that the only way out is to raise the quality of the managerial personnel in all links of production.

Peggy Lam, member of the Hong Kong Legislative Council, showed satisfaction over the requirement of building a clean and honest government in Premier Li Peng's report.

This is a pressing task on the mainland, she said, calling government departments in charge of the work to draw up detailed regulations and give publicity to this matter.

Political & Social

Guangdong's Ye Xuanping Interviewed on Socialism

HK2703043791 Hong Kong MING PAO in Chinese
27 Mar 91 p 2

["Special dispatch" by staff reporter Huang Hanjun (7806 3352 6511): "Socialism Is Not Egalitarianism"]

[Text] Beijing—Guangdong Governor Ye Xuanping maintains that the aim of socialism is to take the road of "getting rich together," not to make a wide gap between the rich and the poor, and at the same time not to take administrative and man-made measures to pursue egalitarianism.

Interviewed by reporters here yesterday, Ye Xuanping declared that although the policy of "allowing some regions to get rich first" is not mentioned in this state financial report, he understands that this concept of the central authorities absolutely does not change. He said that a wide gap between the rich and the poor is not the aim of socialism and the aim of socialism is to make people get rich together; conversely, pursuing egalitarianism is not the aim of socialism. Mutual assistance must be given between the rich and poor regions in the event of unbalanced economic development but mutual assistance absolutely does not signify that egalitarianism pursued in the past is pursued again or that administrative or man-made measures are taken to practice "egalitarianism and the indiscriminate transfer of resources."

"Egalitarianism and indiscriminate transfer of resources" was a popular term in the 1960's when Mao Zedong formed people's communes in a big way and it means equal distribution, allocation and transfer of funds without compensation, and allocation and transfer of materials without compensation. Such a method met with extensive criticism later.

Some people are worried that Guangdong will give more money to the central authorities in the future and this will affect Guangdong's fundamental construction, but Ye Xuanping declared that it is not in this year that Guangdong has increased the amount of money given to the central authorities. In the wake of Guangdong's economic development, Guangdong has, on average, increased its financial revenue given to the central authorities each year and this does not affect Guangdong's development.

Asked whether or not the expenses for the fundamental construction in Guangdong itself are now insufficient, Ye Xuanping said that Guangdong's investments in the fundamental construction projects have not been appropriated by the state Ministry of Finance, but are loans from banks. The money repaid by enterprises from their profits is different from the investments in projects appropriated by the state.

Interviewed by the reporter, Governor Chen Huanyou of Jiangsu Province, another rich province in the south, also declared that when the central authorities have financial difficulties, the localities must give them support. The localities can rely only on themselves to solve their own financial problems.

Chen Huanyou maintains that there are two ways to resolve local financial difficulties: 1) Enhance enterprise production efficiency, and 2) Reduce production costs.

Guangdong Officials on Payments to Center

HK2703041791 Hong Kong SOUTH CHINA
MORNING POST in English 27 Mar 91 p 10

[By Chris Yeung in Beijing]

[Text] A senior Guangdong party official, Mr Zhu Senlin, said Guangdong and Shanghai, two of the most prosperous regions in China, were facing stiffer demands for tax and other contributions to the central treasury.

He made the remark in Beijing after the Finance Minister, Mr Wang Bingqian, had presented his 1991 draft budget to the National People's Congress.

Warning that the country's financial situation was "very stiff" this year, Mr Wang indicated prosperous regions would have to shoulder a greater financial burden to help bail out the nation from the financial crisis.

He said the central Government would set an amount and "request" the regions that were more prosperous to make higher contributions. Mr Wang did not name specific provinces.

Mr Wang also said some export tax and subsidies of prices, which had been fully provided by the central Government in the past, would have to be shared between the central authorities and the regions.

He said some regions might have to pay for all of the subsidies.

Heavy government subsidies to some regions, in particular Guangdong, had been cited as one of the major reasons for the dwindling of central coffers.

The minister said the nation would be experimenting with a "split tax system" where tax bases for Beijing and for the regions would be clearly demarcated. Such a system would guarantee a higher income for the central treasury.

Mr Zhu, a Standing Committee member of the Communist Party in Guangdong and also the party secretary of Guangzhou, said yesterday he expected his province, and other areas such as Shanghai, to have to pay more to the central Government.

Asked if the province would "bargain" with the central Government for a smaller amount, Mr Zhu said: "We don't use the word 'bargain'. Of course, we will have discussions with the central Government whenever necessary."

He refuted suggestions that the southern province had been trying to "buy greater autonomy" from Beijing by contributing more to the state treasury.

"The delineation (of powers) between the central Government and the regions has been clearly laid down," Mr Zhu said.

The Guangdong Governor, Mr Ye Xuanping, said provincial officers would heed the demands made by the central Government.

He said the total amount of funds provided by the province to the central Government had increased from one billion yuan (HK\$1.49 billion) to 1.3 billion yuan this year.

"Now that they have made the decision, we will accept it. We obey the overall arrangements of the central Government," the Governor said.

Mr Ye denied suggestions that there had been long-standing conflicts between Beijing and Guangdong, adding national interests were always more important than those of the province.

He said the increase in tax to the central Government would not hamper the economic development of Guangdong, saying it had been making considerable contributions in the past.

In his draft budget Mr Wang also warned that government subsidies to some commodities would also be cut this year to alleviate the burden of the central Government.

Guangdong, Shanghai Vie for Funds, Privileges
HK2703064191 Hong Kong KUANG CHIAO CHING in Chinese No 222, 16 Mar 91 pp 32-35

[Article by Mao Wei (5399 7279): "Guangdong and Shanghai Are Scrambling for Funds and Privileges From the Central Authorities"]

[Text]

The CPC Makes Shanghai the Focus for China's Opening in the 1990's

At a time when funds are short, the CPC has still decided to allocate 6.5 billion yuan to Shanghai over five years for Pudong's development. The CPC Central Committee clearly stated: Shanghai will be the focus for China's opening to the outside during the 1990's. The development of Shanghai's Pudong is aimed at bringing about the economic development of the Chang Jiang Valley and eventually China as a whole.

Over the past 10 years, the significance of the success in the trial running of special economic zones has lain not only in the development of these zones, but more importantly in their radiating effect. Cities and counties surrounding these special zones also have kept pace in their development. For example, the four tigers of the Zhu Jiang Delta—namely Dongguan City, Baoan City, Shunde City, and Zhongshan City—have grown up quickly and have prospered alongside the two special economic zones of Shenzhen and Zhuhai. These small cities and counties, which are prosperous economically, surround Guangzhou City as stars surround the moon, with the effect that all professions and trades in Guangzhou boom. As the political, economic, and cultural center of Guangdong Province, Guangzhou City radiates its core effect to all corners of the province, with the result that Guangdong Province's economy as a whole was in full bloom during the 1980's and became the province where people enjoyed the highest standard of living in the mainland.

Deng Xiaoping Takes the Road to Common Prosperity

Following Guangdong Province, in order to obtain more results, the mainland has used similar methods for places such as Fujian's Xiamen. These areas are on China's southern coast, while China has 1.2 billion people scattered over thousands of kilometers throughout the country. In order to make the whole nation prosper, China must have one, two, or even many more provinces like Guangdong. In view of this, the CPC Central Committee has shifted its focus to the Chang Jiang Valley.

The Chang Jiang Valley and Guangdong Will Become "Linked Horses"

The economy and population of the Chang Jiang Valley account for nearly half of the country's totals. The CPC's conception is that the comprehensive development strategy with Shanghai as the center and the Chang Jiang Delta as the main body will be carried out in the 1990's

so that this area and Guangdong will become "linked horses." Since the Chang Jiang Delta, the center of which is Shanghai, possesses the strongest economic foundation and scientific-technological power in China, the fact of pushing this area toward the international arena explains that China has further deepened its policy of opening to the outside.

Different "Preferential Treatment" and Different Standards

Shanghai and Guangdong are the major areas for China's development and benefit from the CPC's preferential policy. However, the fact that the CPC has shifted its focus from Guangdong in the 1980's to Shanghai in the 1990's shows that it is using different standards for the preferential policy.

At the end of the 1980's, many places began to follow Guangdong in establishing all kinds of development areas enjoying special privileges, with the result that the preferential policy for Guangdong spread wider and wider and began to change to a balanced situation. The CPC obviously is aware that in order to firmly establish Shanghai as the focus, it not only has to adopt a preferential policy to benefit Shanghai more than other provinces, but also has to render major financial support. In view of this, the CPC has not only adopted a more preferential policy for Shanghai's new Pudong area (for example, the right to use land remains unchanged for 70 years, the vast customs bonded zone [bao shui gu 0202 4451 0575] is to be established in an area of a dozen or so square km, and foreign firms are allowed to carry out direct trade with China in this area), central financial departments also will allocate a definite amount of funds to improve Shanghai's investment environment. The central authorities' preferential treatment for Shanghai in the 1990's lies not only in their preferential policy; the state will invest money there as well.

Shanghai Has To Turn More Than 10 Billion Yuan Over to the Central Authorities Each Year

Shanghai is the largest city in China, and has been China's industrial and economic center for several decades. It has all types of industries and convenient transport facilities. Today, Shanghai's industries basically embrace all professions and trades in China. Its iron and steel industry, shipbuilding industry, chemical industry, and light industry are renowned worldwide. Shanghai's products play an absolutely dominating role in China's market. As for transportation, Shanghai's railways are connected with 29 provinces and cities, and its highways lead everywhere. Moreover, it is also very well developed in international aviation. It has direct flights to the capitals of many countries of the world. As China's largest port and base, Shanghai is not only linked with inland rivers by the Chang Jiang, but also has opened up nearly 200 international sea routes by which goods are transported to all ports of the world. China's 10,000-ton oceangoing ships are concentrated mainly in

Shanghai, the port-handling capacity of which also ranks first in China. Shanghai's telecommunications equipment is also the most developed in China. These are all advantages Shanghai possesses.

Before 1980, the people of Shanghai enjoyed the highest standard of living in the mainland, but since the beginning of the 1980's, the central authorities set a very huge target for Shanghai in turning over its revenue to the state each year. For this reason, Shanghai has lagged behind during the 10 years of reform.

Shanghai had a total of 15.8 billion yuan of revenue in 1989, but it had to turn over 10.5 billion yuan (in fact, more than 12 billion yuan was turned over) to the central authorities. Of the remaining 5.3 billion yuan, 3 billion yuan was used as subsidies for localities. Therefore, Shanghai, which has a population of over 12 million, retains less than 1 billion yuan each year. With these heavy burdens, there has not been much change in Shanghai Municipality's development, production, and capital construction in recent years. Those who left Shanghai several decades ago will find the same old things when they revisit. They will not find much difference.

Moreover, like an old house not repaired for many years, Shanghai needs reconstruction and maintenance in many areas. Worsened by rapid population increase, its living facilities are also seriously affected. For example, it is very common for three generations to live in the same house. Forty percent of newlywed couples live in loaned houses. There is an energy shortage as well. Some enterprises are forced to cut production, and many households have not been allocated liquid gas containers so they can only use coal for cooking. For a thorough solution to these problems, the municipal government must invest large amounts of funds to improve conditions. However, with its heavy financial burden, Shanghai has much difficulty in making a major move at present. Furthermore, for the development of the new Pudong area, large amounts of funds have to be invested in capital construction, such as the construction of roads, bridges, and telecommunications equipment. For this reason, although Shanghai's total production value reaches 69.6 billion yuan each year, ranking first out of all cities in China and representing one-seventh of the economic strength of all cities in China, its revenue is small and its people's livelihood lags greatly behind.

Guangdong and Shanghai Use Their Own Means To Scramble for Funds From the Central Authorities

In contrast to Shanghai, Guangdong's industrial and agricultural output value in 1990 exceeded 200 billion yuan and its per-capita income in the rural and urban areas neared 2,000 yuan. However, it turned only 1.3 billion yuan over to the central authorities. Therefore, although Guangdong has a lower per-capita output value than Shanghai (the per-capita output value of which is 10,000 yuan), most of Guangdong's capital remains in Guangdong. With the vigorous reform and development

in recent years, many new cities have emerged in Guangdong. The housing conditions and facilities of these cities are better than those of Shanghai and they shoulder a lighter burden. Moreover, Guangdong has many ports and can earn more than 2 billion yuan in customs tariffs each year. Until 1989, a considerably large portion of these tariffs was turned over to the local authorities in Guangdong, and they were not turned over to the central authorities until 1990.

However, Guangdong does not have heavy industries that can create high output values as its backup, and it is difficult for its per-capita output value to reach a very high level. Guangdong's development commenced late, with a rapid development rate, and many capital construction projects have to match production. Therefore, the annual investment in its capital construction projects is highly astonishing. And since the beginning of this year especially, Guangdong has to turn its revenue over to the central authorities at an annual growth rate of 10 to 20 percent, and the customs tariffs left to local authorities also have been reduced greatly. In this way, the days of abundance will soon change into days of shortages.

The root cause of this situation lies in the question of the "focus" as fixed by the central authorities. From 1949 to 1979, China basically focused on the development of the Chang Jiang Valley, the north, and the northeast, so the central authorities invested relatively heavily in Shanghai and naturally received high returns from it, as well; whereas the central authorities had rarely invested in Guangdong in the preceding decades, neither did they develop any large production projects or capital construction projects in it. Therefore, the central authorities received few returns from Guangdong. By now, the funds the central authorities have received from Shanghai have been sufficient to build several cities like Shanghai. On the other hand, the preferential funds-retention policy for Guangdong, which Guangdong has enjoyed for a long time, will definitely be changed. Therefore, in scrambling for funds from the central authorities, Shanghai and Guangdong use their own methods. Shanghai's method is striving to reduce the amount of revenue turned over each year to the central authorities, whereas Guangdong's is striving for more financial input from the central authorities.

Judging from the current trend, Shanghai's and Guangdong's economies will definitely reach another peak in the 1990's and at the beginning of the next century. However, since the two "focuses" are in different situations, the economic trends of Guangdong and Shanghai also will develop in keeping with their own characteristics.

In this new era, the economic growth rate of a region depends to a great extent on its scientific and technological strength. Since the beginning of this century, Shanghai has always been a famous cultural city and cradle of talented people. It comes next only to Beijing in number of various sorts of scientific research institutes,

universities, and colleges. Here tens of thousands of scientists are creating scientific wonders to enable China to surpass the world. The people of Shanghai can be said to possess the highest cultural quality in China. Under such a strong cultural, scientific, and technological atmosphere, Shanghai is very suited to high-tech enterprises for its development. In light of this, for Pudong's economic takeoff, the focus is on the introduction of high technology and investment in high-tech enterprises. The blueprint for Pudong is, in fact, Shanghai's future. Although heavy industries occupy an important proportion of Shanghai's economy, high-tech industries, which bring good economic returns, ultimately will become the pillar of Shanghai in the future.

Compared with Shanghai, Guangdong is much weaker in scientific and technological strength. Today Guangzhou has all kinds of universities, colleges, and scientific research organizations, but most of them have been founded only in recent years. For example, the Zhuhai Special Economic Zone has planned the development of high-tech industries for many years and the government has specially set aside several square kilometers of land for high-tech industries. Nonetheless, none of these industries have developed well. One of the important reasons is the shortage of skilled personnel and the weakness of the scientific and technical strength. Nevertheless, Guangdong was the first region to be opened to the outside, and much of the equipment and factories imported and built in the last 10 years possess world-advanced levels. Moreover, Guangdong has absorbed large numbers of scientific and technical personnel from the mainland and abroad. It also has trained many technical personnel. Therefore, we should not neglect the fact that Guangdong has a strong processing capacity and can produce advanced and trendy products.

Guangdong's enterprises are very practical. Only when they find a market and see the opportunity to make money will they immediately build factories and start production. The most important thing is seizing the present. Enterprise staff and workers also focus on the amounts of money they receive. For them, money, rather than rank or type of work, is the guide for every job.

Can Pudong Attract Foreign Firms and Business Giants?

Different concepts and environments have nurtured the soils in Shanghai and Guangdong. For Shanghai's future economic development, to whatever extent Shanghai will open itself to the outside, people's concepts are influenced considerably by the atmosphere from the interior and will have difficulty eradicating traditional patterns. By integrating its own high-tech strength and industrial foundation, Shanghai can quickly further develop itself and eventually play a part in the international arena. Although Guangdong does not have as stable and strong an industrial foundation as Shanghai, its established concept of opening to the outside world will most enable it to become a processing base for

advanced products and a wide international consumption market. In this way, the economic trends of the two places will be different: Shanghai has a comprehensive economy linked with other provinces, while Guangdong has an economy that is mainly export-oriented.

They Compete for the Mainland's Resources

Like Guangdong, Shanghai is short of industrial raw materials and basically depends on inland provinces and cities for supplies. Now that the two places are attempting to develop on a large scale, they definitely will compete with each other for the mainland's resources. In the case of Shanghai, almost all its coal supplies are imported. Since coal prices have risen, production costs have increased drastically. This has greatly affected the sale of goods. Therefore, how to obtain cheap resources and raw materials has always been a knotty question for Shanghai and Guangdong. The best way for the present time is to ask for help from the central authorities and to ask for planned distribution. On this question, the support the central authorities render to Shanghai no doubt is more than that given to Guangdong. In view of this, Guangdong can import raw materials only from abroad. Nonetheless, the measures Guangdong has adopted cannot last long and ultimately it must ask for help from the central authorities. Therefore, in order to obtain more planned raw materials, Guangdong and Shanghai will put pressure on the central authorities at the same time.

One of the obvious indexes of the results of the opening up is the amounts of foreign funds absorbed and the number of foreign projects set up. The success of Guangdong's opening up lies in its absorption of 10.4 billion yuan of foreign funds and the establishment of over 7,000 enterprises of "three capital sources" within the past 10 years, accounting for over 30 percent of China's total.

Shanghai has a good industrial foundation, a strong scientific and technological capacity, and high-caliber enterprise management cadres. Coupled with the support of the many industrial cities in its vicinity—including Suzhou, Wuxi, Ningpo, and Hangzhou—Shanghai is an ideal place for large foreign financial groups to develop large-scale industries, high-tech industries, and international finance and trade. Guangdong has a good opening-up climate and possesses complete laws and regulations regarding foreign trade. It has a good investment environment and smooth export channels. It is suited to one-time processing, assembling, and production, or merely production by foreign enterprises. In this aspect, Shanghai appears to have a strong capacity in scrambling for large-scale projects, while Guangdong is particularly skilled in attracting people to invest in medium-sized and small projects.

Shanghai's sources of foreign funds, according to current conditions and the future development trend, can be very wide. The world's economic powers will be the

major investors, namely mainly "foreigners." Guangdong is a native place of many Overseas Chinese. It borders Hong Kong and Macao and is near Southeast Asia. Therefore, whether in blood relations or economic links, Guangdong has an absolute advantage in absorbing the investments of Hong Kong and Overseas Chinese. Judging by the foreign funds Guangdong has absorbed, 70 percent are investment by Overseas Chinese and over half of this 70 percent is funds from Hong Kong and Macao. Therefore, major foreign investors in Guangdong at present are Overseas Chinese, especially Chinese from Hong Kong and Southeast Asia. As for changes in investors in the future, this depends on the changes in Guangdong's social structure and economic foundation.

Coastal Cities Work Out Their Own Plans

In addition to Guangdong and Shanghai, Fujian's Xiamen and some other coastal cities, such as Ningpo, Yantai, Qingdao, Tianjin, and Dalian, are making their efforts and working out their own plans to scramble for foreign funds. A battle for foreign funds has broken out among China's coastal cities. From now to the middle of the 1990's, Shanghai and Guangdong, of course, will remain the major belligerents in the fierce battle. Which of the two will be able to absorb the most foreign funds and what changes they will bring are both worth noting.

Minister Discusses 'Three Gorges' Project

*HK2703025391 Hong Kong WEN WEI PO in Chinese
26 Mar 91 p 2*

["Dispatch" by WEN WEI PO news gathering group: "Huang Yicheng Talks About the Three Gorges Project"]

[Text] Beijing, 25 Mar—The Three Gorges Project is a hot point with which reporters at the National People's Congress [NPC] session are concerned today. Energy Resources Minister Huang Yicheng declared that he personally hoped the Three Gorges Project would be started as soon as possible. He said that the report on the Three Gorges Project had been completed by specialists and would be submitted to the NPC session for examination and discussion after examination and approval by the State Council. Now, 90 percent of the specialists hope that it will be started, but surely there are dissenting opinions. As this project is a giant one and it is necessary to completely understand the situation and to take the views of all quarters into consideration, discussion will not be conducted at this NPC Session.

Guo Shuyan, governor of Hubei Province, said that the project will move some 900,000 people to other places, and Hubei now has carried out a pilot project to move approximately 10,000 people. Most of them have been moved up to local hills without leaving their home towns. Regarding the rate of progress in the Three Gorges Project, he maintains that this project can be

expedited slightly, but the present method is comparatively safe and some margin is left.

The governor of Sichuan Province declared that everything would be subordinated to the overall interests of the state and hoped that when this key project is started, the interests of the upper reaches, middle reaches, and lower reaches are to be coordinated and taken into consideration. A comparatively large area of the upper reaches will be inundated, and it is imperative to properly solve the problem of moving people away.

XINHUA Policy Terminology Series on NPC

Part Four

OW2603114391 Beijing XINHUA in English
0713 GMT 26 Mar 91

[“This is the fourth of a Chinese policy terminology series, which began March 23, in connection with the ongoing sessions of the National People’s Congress and the National Committee of the Chinese People’s Political Consultative Conference”—XINHUA editor’s note]

[Text] Beijing, March 26 (XINHUA)—13. Regional autonomy: China is a unitary multinational state. Besides the Han nationality, there are 55 ethnic minorities. The Chinese Constitution stipulates that all nationalities in China are equal; regional autonomy is practised in areas where people of ethnic minorities live in compact communities and in these areas organs of self-government are established for the exercise of the right of autonomy. A law granting regional autonomy to ethnic minority areas went into effect in October, 1984. China now has five autonomous regions, 31 autonomous prefectures and 105 autonomous counties.

14. Provinces, municipalities and autonomous regions: The country is divided into provinces, autonomous regions and municipalities directly under the central government according to China’s administrative division. There are 23 provinces including Taiwan Province, five autonomous regions, and three municipalities, namely, Beijing, Shanghai and Tianjin.

15. Cities with provincial status in state planning: Since 1983, the State Council has granted provincial status in state planning to 14 large and medium-sized cities. While remaining as cities directly under the provincial governments in administrative division, they have the provincial competence in economic management. Their plans for economic and social development are no longer assigned by provincial government; instead, they submit their major plans directly to the State Planning Commission and relevant departments of the State Council. These cities are: Chongqing, Wuhan, Shenyang, Dalian, Guangzhou, Xian, Harbin, Qingdao, Ningbo, Xiamen, Shenzhen, Nanjing, Chengdu and Changchun.

16. Five-year plan: The Chinese Government decided in 1952 to draw up plans of economic and social development with every five years as a unit. The first five-year

plan began to be carried out in 1953. Between 1953 and 1990 China has implemented seven five-year plans. Now the country is carrying out its Eighth Five-Year Plan (1991-1995).

Part Five

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[“This is the fifth of a Chinese policy terminology series, which began March 23, in connection with the ongoing sessions of the National People’s Congress and the National Committee of the Chinese People’s Political Consultative Conference”—XINHUA editor’s note]

[Text] Beijing, March 27 (XINHUA)—17. The strategic plan for accomplishing modernization in three steps: The plan was drawn up by the Central Committee of the Chinese Communist Party in 1979. The first-step covers the period from 1980 to 1990. The objective is to double 1980’s gross national product (calculated by constant prices) and solve the problem of inadequate food and clothing. This objective has basically been attained. The second step covers the period from 1991 to 2000. The objective is to quadruple 1980’s GNP, enable the people to lead a comfortable life and raise the quality of the whole national economy to a new high. The third-step covers the period from 2000 to 2050. The objective is to raise the per capita GNP to that of the medium-level developed countries, enable the people to live a fairly affluent life and complete the process of modernization.

18. The principle of developing the national economy in a sustained, stable and coordinated manner: This principle has been put forward by the Chinese Government by drawing on the experience, both positive and negative, it gained in socialist economic construction over the past four decades. According to official interpretation, “sustained” means to enable the economy to grow at an appropriate rate every year; “stable” means steady development, without big ups and downs; and “coordinated” means to enable the various sectors of the economy to develop in a proportionate manner, in other words, to keep a rational ratio between the development of agriculture and industry, between the basic and processing industries, between the primary, secondary and tertiary industries, between economic and social development, and between accumulation and consumption, but most important of all, to keep a basic balance between total social demand and total supply.

19. Socialist planned commodity economy: The term first appeared in a decision on the reform of the economic system adopted at the Third Plenary Session of the 12th Central Committee of the Chinese Communist Party in October 1984. The basic idea is to create a new economic structure on the basis of public ownership, with the economic activities to be regulated by plans and market forces combined. The planning work must conform to the principle of exchange of commodities and the law of value.

20. The combination of planned economy with market regulation: China has set the goal of establishing in the main a new socialist planned commodity economic structure during the last decade of this century. The new economic system involves the establishment of a system and an operating mechanism that combines the planned economy with market regulation in keeping with the requirements of developing a planned commodity economy. Under such economic system, by and large, such macroeconomic activities as the control of the aggregate supply and demand and major adjustment of economic structure should be regulated by the state according to plans, and such microeconomic activities as day-to-day production, business operations and trading should be regulated by the market forces. Control by plans should be so consciously exercised that it conforms to the principle of proportionate development of the economy, the supply and demand of the market and the law of value while the market role should be brought into play within the framework of the overall plans and in compliance with the laws and regulations of the state.

More Cadres Recruited Through Examination

*HK2703104991 Hong Kong LIAOWANG OVERSEAS
EDITION in Chinese No 11, 18 Mar 91 pp 13-14*

[Article by Yao Lishi (6008 0500 4258): "China Makes New Progress in Employing Cadres Through Examination"]

[Text] In the 1990's, China has made rapid progress and marked achievements in employing cadres through examination. The field of vision has broadened for cadres and personnel departments to select and appoint talented people, and the scientifically standardized new mechanism for personnel selection is being improved and perfected. What is more important, this new method of employing cadres through examination has provided a new opportunity for the reform of the personnel management system and for promoting a clean administration.

A Wide-Angle Lens Has Been Installed for Personnel Departments

Personnel departments at all levels are the direct beneficiaries of this system of recruitment through examination. The implementation of this system means installing a wide-angle lens for personnel departments, broadening their field of vision to discover talented people, and enabling them to select fine quality people in a broad sphere.

But it has not been easy to take this step!

According to the old rules, there were two channels for employing cadres: One was unified work arrangements, which applied to university graduates and demobilized military cadres; the other was selection through recommendation. True, this mandatory work assignment method played a positive role, but it was not scientific

and standardized in terms of field of vision and procedure, apart from lacking openness and having many shortcomings.

Four years ago, the CPC decided to recruit cadres from society for judicial, commercial, and taxation departments, as well as for banks, so as to increase their personnel. This immediately evoked repercussions across the country, and more than 1 million people applied. The greater significance of this move lay in breaking the obsolete concept and way of employing cadres, which had lasted for decades. For the first time, this provided the same departure point for personnel engaged in competition.

With active participation by personnel departments and different social circles, marked achievements have been made in implementing the system of recruitment of cadres through examination over the last two years. In November 1990, the Personnel Ministry dispatched four groups of people to 15 provinces and autonomous regions—such as Liaoning, Jilin, Heilongjiang, Shandong, Zhejiang, Jiangsu, Anhui, Hunan, Hubei, Guangdong, Gansu, Shaanxi, Ningxia, Xinjiang, and Qinghai—as well as to 27 departments in central state organs to carry out large-scale surveys there. They summed up that "work in nationwide employment through examination was better than that in 1989." According to information obtained from 50 ministries and commissions of the central government, 35 of them have practiced or partly practiced the method of recruitment through examination, accounting for 70 percent of the total. Initial statistics on the above-mentioned 15 provinces and autonomous regions suggest that last year nine of them conducted recruitment through examination for government and judicial departments as well as organizations of the Chinese People's Political Consultative Conference and the People's Congress. They planned to employ 15,575 people. More than 130,000 people registered for examination. Some provinces have actively explored intellectual resources and expanded the implementation of recruitment through examination to large enterprises and undertakings as well as to some units under collective ownership.

A few days ago this reporter learned that on 9 March the Personnel Ministry instructed 12 ministries—including the Ministries of Construction, Agriculture, and the Aeronautics and Astronautics Industry—as well as the Customs Department to recruit ordinary personnel through examination.

As far as central state organs are concerned, due to urban population management and other factors, recruitment through examination is, in the first place, affected by restrictions on the response to and scope of recruitment: The responder must have a postal address and Beijing must be his domicile. These are "preconditions." Non-Beijing citizens are barred from application. A survey by the relevant department indicates that due to several large-scale screenings conducted recently, there has been

a drop in the number of applicants and those recruited. This problem must be resolved promptly.

The Railway Ministry has gained deep experience in this respect. In the past, due to Beijing domicile restrictions, departments in this ministry could select only cadres from railway units under Beijing's jurisdiction for work-force replenishment. As time went by, some people said jokingly: The Railway Ministry has become a ministry under the Beijing Railway Bureau's jurisdiction. Moreover, professionals and technicians in some railway units under Beijing's jurisdiction began to fall short of demand and the selection of cadres became very difficult.

The personnel department of the Railway Ministry is facing two difficulties.

Last year more than 300 cadres under the Railway Ministry retired, so offices of this ministry had a serious lack of cadres. After careful consideration, in June last year this ministry decided to recruit cadres from railway units throughout the country. This news spread and many people informed each other. They happily commented that this was an unprecedented move in railway personnel work. More than 1,800 people handed in their applications in less than two months. Examination results showed that applicants outside Beijing had higher marks and better quality than Beijing applicants. Ninety percent of participants in the examination were people from outside Beijing. Of the 155 participants who passed the examination marks required for recruitment, the first 12 were from localities outside Beijing.

In answer to this reporter's question about the quota for domiciliary removals into Beijing, Lu Xuekun from the Personnel Department of the Railway Ministry provided this explanation: "Most of the cadres recruited through examination this time will not be transferred to Beijing until a quota is provided by the Personnel Ministry for cadres outside Beijing, with the exception of a small number of them who will be treated in line with the relevant policy on resolving husbands and wives living separately and allowing Beijing school graduates who went to the countryside to return to Beijing." But he added with worry: "Generally speaking, if this problem can be resolved within two or three years, we can keep these cadres waiting; otherwise, it is difficult to say."

Setting Up a New Mechanism for Selecting Talented People

The purpose of grass-roots units in recruiting cadres through examination may be to stop malpractices in their own units, but the Personnel Ministry aims to set up a selection system for talented people and to take it as an important component of personnel system reform. Dai Guangqian, director of the Examination and Recruitment Department under the Personnel Ministry, said: In the long run, we are searching for a mechanism for selecting talented people which conforms with China's conditions. We will strive for this great goal through years of hard work.

For this reason the Personnel Ministry first carried out experiments in six state organs such as the Supervision Ministry, the Auditing Administration, the State Statistical Bureau, the Environmental Protection Bureau, the Building Materials Bureau, and the Taxation Bureau. Localities should also form experimental units to probe experience.

To carry out examinations in a scientific and standard way, Liaoning Province has provided several detailed regulations on professional written tests, oral tests, and county-level tests, to improve the system of recruitment through examination. Liaoning Province, as well as Suzhou and Xian cities, have coordinated with the scientific research departments of higher learning institutions in applying psychological tests to examinations. This is quite beneficial to understanding the participants' personalities, hobbies, and mental characteristics.

China is vast and its conditions vary from one locality to another. Therefore the Personnel Ministry has encouraged localities to explore examination and recruitment methods suitable to their local conditions. In the course of examination and recruitment, Heilongjiang Province carried out checks on the participants' political quality, and on the basis of summing up Daqing City's experience, issued "trial methods of examination and assessment for personnel replacements in administrative organs." In recruiting political personnel, Ningbo City, Zhejiang Province, proceeded with recommendations submitted by the relevant organizations. Then the applicants sat for examinations after organization and personnel departments carried out qualifications assessments. Hubei Province's Jingzhou Prefecture is carrying out explorations on selections through examination. It stipulates that middle-position personnel and personnel who have been awarded with state- or provincial-level certificates of achievement are exempted from written tests on common subjects and may directly participate in professional tests and oral tests.

Localities also have made progress in building basic facilities for examinations and recruitment. Last year the Examination and Recruitment Department of the Personnel Ministry conducted surveys in 15 provinces. Seven of them have set up examination centers. Liaoning Province has even set up four city-level examination centers. Most of these centers are responsible for setting examination questions, organizing examinations, reviewing, and marking examination papers. Scientific research into work concerning examinations and recruitment has been put in the relevant plan. For example, the Liaoning Provincial Government has cooperated for two years with the provincial Science Commission and the Northeast Engineering Institute in carrying out research entitled "tests and assessments of the ability and quality of non-leaders in state administrative organs." This research has now passed experts' verification.

Recruitment Through Examination Has an Important Bearing on Running a Clean Administration

When the participants in an examination for entry into the taxation department of Yicheng County, Shanxi Province, came to the examination room, they saw a couplet written this way at the entrance: "Only 11 cadres will be recruited, everyone possible. Practice not the least favoritism, you and others the same." The horizontal scroll was: "See who is better in the examination room." There was another couplet at the entrance to the Personnel Bureau: "Correctness in party style and uprightness in public duties; unjust and shameful to seek internal relationships." The horizontal scroll was: "Please keep out."

The "results" of these two couplets made themselves strongly felt. Their meaning alone could make you consider a half day.

Personnel departments are key departments with an important bearing on cadres' selection and promotion. People working in these departments have to endure "bombardments" of "favoritism" and "kinship." Those with weak minds cannot stand the test. Of course, the majority in personnel departments are brave in resisting unhealthy trends, but they should be a powerful backing—a system to support.

In this sense, the examination and recruitment system for cadres is promoting personnel system reform and clean administration. The participants have the same departure point to start with. "See who is better in the examination room." Once in Liaozhong County, Liaoning Province, a bureau chief's brother-in-law took part in an oral test. The bureau chief evaded him and in the end he failed by 0.1 marks. A student of politics in Jilin University was assigned to a middle school after graduation in 1989. Thinking that he was wasting his talent on petty jobs, he wrote a letter to the Personnel Bureau asking for transfer to a government office. The Personnel Bureau was quite decisive in telling him to come for an examination. As a result, this student's examination marks were 20 points below the initial selection line. Since then he has never complained again.

In carrying out recruitment through examination, personnel departments in localities generally announce the number of replacements needed, the number of positions provided, detailed requirements and standards, work procedures, and examination results. They invite people from discipline inspection and supervisory departments to have a share in setting questions, holding examinations, reviewing examination papers, and carrying out recruitment. The media will announce any relevant information. From this fair and equal competition, the people feel the cleanliness of style of personnel departments. When the results of an examination for entry into Shaanxi Government departments were announced last year, an elderly woman with a vegetable basket came and looked for a name on the namelist hung on the wall. When she saw her son's name in the accountants' column, she immediately sat down on the ground and

cried, saying: "I never dreamed that ordinary civilians like us can have their children selected!"

Tian Jiyun Addresses Beijing Greening Meeting

SK2703073891 Beijing BEIJING RIBAO in Chinese
10 Mar 91 pp 1, 4

[Speech by Tian Jiyun, member of the CPC Central Committee Political Bureau, vice premier of the State Council, and chairman of the All-China Greening Committee, at a 9 March Beijing Municipal meeting to commend advanced units and activists who distinguished themselves in greening and beautifying the capital]

[Text] Comrades:

Today, the Beijing Municipal People's Government and the Greening Committee of the capital held a grand meeting here to commend advanced units and activists who distinguished themselves in greening and beautifying the capital in 1990. Advanced units and activists who made outstanding contributions to greening and beautifying the capital in the past year were commended, and the work to green and beautify the capital during the Eighth Five-Year Plan and 1991 was arranged. The meeting has been successful. I extend warm congratulations on behalf of the State Council and the All-China Greening Committee! I also extend my great respect to the advanced units and activists who made contributions to greening and beautifying the capital!

Beijing is the capital of our great motherland, the political and cultural center of the country, and the center for international exchanges. It is very significant to do a good job in greening and beautifying the capital. Under the leadership of the Beijing municipal party committee and government, and the greening committee of the capital, the all-people voluntary tree-planting campaign of the capital has been carried out more successfully and in a more down-to-earth manner every year. The number of trees and lawns has grown substantially, and urban and rural environments have improved notably. To usher in the convocation of the 11th Asian Games in Beijing, in particular, the vast number of army-men and civilians in the capital united to work indomitably, continuously, and selflessly, with high patriotic enthusiasm and the communist spirit of active devotion despite the pressing time, heavy tasks, and numerous difficulties. They successfully accomplished at high speed and with good quality the various undertakings to green the capital, and ushered in the grand Asian Games with a whole city of green trees and flowers. They were praised by domestic and foreign guests, and did credit to the motherland. I express heartfelt gratitude to the people of Beijing on behalf of the party Central Committee and the State Council!

Having a special position and function at home and abroad, Beijing should be a modern city with a sound ecology and a beautiful environment. Beijing should take the lead in the country in the work to green and beautify the city. Beijing has created and accumulated many good

experiences and methods, and has scored great achievements in its past tree planting work. However, its current level in greening itself is still incompatible with its position as the capital of the country. Its tasks to green and beautify itself remain very arduous, and it should expedite the work to green the city. The State Council hopes you will succeed in taking the lead in the country in not only greening the city areas, but also the plains and mountains in suburban areas. As two-thirds of the areas of Beijing are hilly, the environment and ecological quality of the urban and rural areas of Beijing will experience a great change when trees are planted on its barren hills.

The resolution of the Seventh Plenary Session of the 13th CPC Central Committee pointed out that the last decade of this century is a very crucial period for China's socialist modernization, and that all fields of work, based on the solid foundation laid during the 1980's, should make contributions to the accomplishment of the second-step strategy of modernization, and to the upgrading of the quality of the national economy as a whole. Environmental protection is a basic policy of our country, and an important aspect in improving the quality of the people's life. Planting trees to green and beautify the city accounts for a very large proportion in the work to improve and protect the quality of the environment, is the most economic means that yields the quickest results, and the greatest labor protection. Planting trees, protecting forests, improving the urban and rural levels in greening the land, checking the deterioration of the natural ecological environment, and creating clean and beautiful living and work conditions for the people constitute an important strategic task for a very long period to come. We should plan and develop the tree planting work for greening and beautifying the environment simultaneously with economic construction, urban and rural construction, and environmental construction, and coordinate tree planting and improvement of the ecological environment with economic and social development. The important guidelines of the Seventh Plenary Session of the 13th CPC Central Committee have been manifested very well in Beijing's Eighth Five-Year Plan for tree planting, and in its goals to be attained within 10 years. Comrade Huang Chao gave a very good report just now, and I totally agree with it. We hope that it will be implemented successfully.

Comrades, the key to success in planting trees to green and beautify the environment lies in efforts to enable all the people, including leading cadres, to continuously enhance their sense of greening the land. We should mobilize the millions of people throughout the country to promote and carry on this major work that has a bearing on current economic and social development, and on the prosperity of the coming generations and the Chinese nation.

This year is the first for implementing the Eighth Five-Year Plan, and one to mark the 10th anniversary of the all-people voluntary tree-planting campaign launched by the National People's Congress [NPC] according to its resolution made on the proposal of Comrade Deng Xiaoping. It is very important for us to achieve success in this year's tree planting work, and make a good beginning on the basis of the fairly good results already achieved. For this purpose, we should publicize more extensively and thoroughly the important significance of tree planting work, that it should be carried out by the entire society, and that it meets public interests. We also should publicize the legality of the all-people voluntary tree-planting campaign so as to boost the people's enthusiasm for planting trees. We should improve the rules and regulations for the voluntary tree-planting activities so that there will be rules and laws to abide by, and the principles, national policies and specific work requirements on tree planting will be carried out. The NPC resolution on launching the all-people voluntary tree-planting campaign stipulates that every citizen of the right age should plant three to five trees a year. This stipulation has legal effect, and should be resolutely enforced. We should persist in the application of science in tree planting and the management of the work as an engineering project, work out a set of specific methods for screening and approving projects, investment policies, criteria for examination, and reward-punishment systems which suit Beijing's conditions; change the traditional extensive management of trees, and see to it that science and technology are applied to the development of forestry, and that forests are managed according to the law. We should upgrade the quality of tree planting, and of the forestry front as a whole. All departments and trades should intensify their efforts to plant trees, all the people should be encouraged to plant trees, and the entire society should be mobilized to develop forestry. Railway, highway, water conservancy, and coal mining departments, in particular, should do a good job in planting trees around reservoirs; along rivers, roads and railways; and around mines. Government offices, army units, schools, and factories should do a good job in planting trees in their courtyards, residential areas and neighborhoods.

The organs under the CPC Central Committee and the State Council, and the army units stationed in Beijing should continue to take the lead in the capital's all-people voluntary tree-planting campaign, and make more contributions to greening and beautifying the capital.

Comrades, Arbor Day is drawing near. Nationwide large-scale tree planting activities are being carried out from south to north. It is hoped that you will conscientiously implement the guidelines of the Seventh Plenary Session of the 13th CPC Central Committee, emancipate your minds, brave the way forward, scale new heights, and bring the work to green and beautify the capital up to a new level.

East Region

'Text' of Shanghai Housing Reform Plan

OW2403194891 Shanghai JIEFANG RIBAO in Chinese
17 Mar 91 pp 1-2

["Full text" of the Implementation Plan for Reform of the Shanghai Municipal Housing System approved in principle by the 24th meeting of the Ninth Shanghai Municipal People's Congress Standing Committee on 8 February 1991—first two paragraphs editor's note]

[Text] "The Implementation Plan for Reform of the Shanghai Municipal Housing System" has been approved in principle by the 24th meeting of the ninth municipal People's Congress Standing Committee with the State Council's consent. The following is its full text. The plan will formally come into effect after a period of trial implementation.

The reform of the housing system is an important matter bearing on the interests of people across the municipality. It is also an extremely arduous and complicated project. Leaders at all levels should conscientiously arrange for its implementation, stress and strengthen work to obtain feedback, and resolve potential problems without delay. People throughout the municipality should take an active part and lend active support to the reform of the housing system to ensure steady and smooth progress in this regard.

Shanghai has made substantial progress in housing construction since the Third Plenum of the 11th CPC Central Committee. This has helped to moderately ease housing shortages. However, Shanghai's housing problems remain very serious. The past two years have seen growing shortages of housing construction funds, shrinking floor space of completed residential quarters, and sluggish efforts to resolve housing problems. Hence, Shanghai's housing problems must be resolved expeditiously.

The housing system must be reformed in order to expedite the resolution of Shanghai's housing problems. Through reform, efforts should be made to gradually incorporate housing construction, exchange, distribution, and consumption into the planned commodity-based economy; promote the effective circulation of housing funds; speed up the resolution of housing problems; and improve the living conditions of people in the municipality. Housing goals for urban districts in Shanghai through the end of this century are: Per capita living space of 8 square meters [sq m] or more; furnishing 60 percent or more of houses; resolution of the housing problems of families with per capita living space of 3.5 sq m or less; resolution of most of the housing problems of families with per capita living space between 3.5 sq m and 4 sq m; and renovation of most hazardous buildings, shacks, and shanties.

I. Basic Principles

- To gradually commercialize housing, promote housing availability, and change the system of low rents and free distribution of living quarters;
- To institute a mechanism by which the state, collectives, and individuals pool funds to build houses and modify procedures under which the state and collectives monopolize housing construction; and
- To create fair and authoritative agencies responsible for policy research, management, and supervision in connection with reform of the housing system and remedy unhealthy practices in housing distribution.

II. Specific Plan

The specific plan for reforming the housing system in Shanghai Municipality calls for establishing common reserve funds, raising rents, providing subsidies, issuing housing distribution bonds, giving preferential treatment to home buyers, and setting up housing committees.

1. Common Reserve Funds

Common reserve funds are a kind of compulsory long-term savings deposit. Staff members and workers joining such a scheme, as well as their units, shall contribute a certain amount of their monthly salaries to the funds. Both contributions belong to the staff members and workers. Such long-term saving and accumulation can improve the ability of families of staff members and workers to have their own houses. Moreover, it can also enhance the circulation of housing construction funds.

A. Participants and Scope

Regular and contract workers of party and government departments, mass organizations, institutions, and enterprises, who work in the municipality and who have permanent resident rights, shall join the scheme of common reserve funds.

Departed and retired cadres and retired staff members and workers shall not join the scheme.

Temporary workers and foreign staff members and workers of the three types of wholly or partially foreign-owned enterprises shall not join the scheme.

B. Amounts of Contributions

The amounts of contributions toward common reserve funds are determined by multiplying the salaries of staff members and workers by the rate of contribution.

The rate of contribution for both staff members and workers and their units is 5 percent in 1991. It is subject to readjustment in light of economic development and changes in individual income. The readjusted rate shall be promulgated once a year.

C. Interest Rates of Common Reserve Funds

Interest shall accrue on common reserve funds at the rates for current accounts in banks.

D. Sources of Common Reserve Funds

Of the common reserve funds, individuals shall contribute the amount of their share. The amount contributed by enterprises shall be disbursed in housing depreciation charges, overhaul funds, and administrative expenses. The amount contributed by full-budgeted administrative institutions shall be included in the budget; whereas that by partial-budgeted institutions shall be disbursed in the items as by full-budgeted units and enterprises, in differential proportions. The amount contributed by financially independent institutions shall be disbursed in the items as by enterprises.

E. Use and Withdrawal of Common Reserve Funds

(1) Used and Withdrawn by Individuals

The common reserve funds can only be paid to families of staff members and workers for the expenditures on purchasing or building their own houses, renovating, and overhauling private-owned houses. They shall not be paid for the expenditures on interior fitting-up, house maintenance, house rents, and subscribing for house construction funds.

Staff members and workers are entitled to use the accumulated common reserve funds of their household members and direct relations and cash of their own to pay for the expenses of purchasing or building their own houses, renovating, and overhauling private-owned houses. If the amounts are still insufficient, the heads of households may apply for loans and pay the debts on schedule in accordance with stipulations.

If staff members and workers sell houses purchased with common reserve funds, they should deposit the amounts of money they drew from the funds while purchasing the houses into the original accounts.

Staff members and workers who leave their posts, retire, are transferred from Shanghai Municipality, or settle down abroad, may have their surplus principal and interest of common reserve funds returned to them. If staff members and workers die during their tenure of office, their surplus principal and interest of common reserve funds may be withdrawn by their heirs or legacies.

(2) Used by Units

Various units are in principle entitled to use the surplus common reserve funds of their workers and staff members, with remuneration paid, in house construction.

F. Management of Common Reserve Funds

The Shanghai Municipal Common Reserve Funds Management Center is in charge of the collection, management, and utilization of the funds. The business of collecting and depositing funds, and granting loans is

temporarily entrusted to the department of credit on real estate in the Shanghai branch of the People's Construction Bank of China. (called the real estate credit department of the Municipal Construction Bank in the rest of the text) When conditions are ripe, a specialized bank of housing savings deposits will be established to take charge of such business.

While collecting personal regulatory income taxes from staff members and workers, the amounts of common reserve funds contributed by individuals can be deducted from their income. The principal and interest of common reserve funds withdrawn by staff members and workers are income exempt from personal regulatory income taxes. Beneficiaries who inherit and receive principal and interest of common reserve funds as legacies are also exempt from paying personal regulatory income taxes.

2. Raising Rents and Issuing Subsidies

Reforming the existing low-rental system by gradually raising rents of public houses and issuing subsidies to staff members and workers correspondingly.

A. The Scope and Standard of Raises in Rent

The rent of those public houses, which are in the charge of the municipal government and the organizations themselves, shall be doubled in accordance with the "Shanghai Municipal Provisional Standard for House Rent" (Provisional Standard, for short) currently in force.

The rent of living quarters of government organizations and that of those houses lower than the Provisional Standard should first be unified in accordance with the Provisional Standard and then doubled.

B. Housing Subsidy Beneficiaries and Standard

For the staff members, workers, and retired cadres and workers of party and government organizations, mass bodies, institutions and enterprises who rent public houses in the charge of the municipal government and the organizations themselves, the units to which they belong should once and for all assess the subsidies to be issued at the rate of 2 percent in accordance with their monthly wages or retirement pay. After the subsidies are issued, other housing subsidies received by some staff members and workers should be correspondingly cancelled.

Currently, no housing subsidies shall be issued to staff members and workers who live in collective dormitories and private-owned houses.

C. The Sources of Funds for Housing Subsidies

The amount of housing subsidy funds contributed by enterprises shall be disbursed in housing depreciation charges, overhaul funds, and administrative expenses. The amount contributed by fully-budgeted administrative institutions shall be included in the budget; while

that contributed by partially-budgeted institutions shall be disbursed in the items like full-budget units and enterprises, in differential proportions. The amount contributed by financially independent institutions shall be disbursed in the items as by enterprises.

D. Use of the Raised Part of the Rent

After house rent is raised, the raised part of the rent shall be spent exclusively on house maintenance.

E. Reduction and Exemption Policy

Poor old widowers, widows, people who have no relatives, and poverty-stricken families confirmed by the civil affairs departments shall be exempted from paying the raised part of the rent.

Retired cadres and spouses of the deceased retired cadres shall enjoy appropriate reduction of the raised part of the rent if the raised part is much more than their housing subsidies.

3. Buying Housing Bonds To Get House Distributions

Staff members and workers who recently moved into public houses should buy housing construction bonds according to regulations.

A. Buyers and Scope

All units shall follow the "Shanghai Municipal Provisional Regulations Governing Housing Distribution and Management" in housing distribution. Those who were recently distributed new or old public houses shall first buy Shanghai Municipal Housing Construction Bonds before they can move in. They should pay rent according to regulations.

A very small number of staff members and workers, who have particular economic difficulties, may buy the housing construction bonds in installments.

It is necessary to encourage households and personages in all circles to voluntarily buy housing construction bonds to support housing construction.

B. Release Body

The Shanghai Municipal Housing Construction Bonds shall be released, used, and repaid for by the Shanghai Municipal Common Reserve Funds Control Center and guaranteed by the Shanghai Municipal People's Government.

C. Sale of and Repayment for Housing Construction Bonds

The Shanghai Municipal Trust and Investment Corporation under the People's Construction Bank of China (Municipal Trust and Investment Corp, for short) shall be temporarily entrusted with the sale of and repayment for the housing construction bonds.

D. Total Amount of Subscribed Housing Construction Bonds

The total amount of housing construction bonds subscribed for by a household shall be determined by the area which the newly distributed house covers, the basic amount of housing construction bonds for each square meter of the area a household subscribes for, and the location of the housing.

The basic amount of housing construction bonds in 1991 shall be set at 20 to 80 yuan for each square meter of the construction acreage. In future, it shall be readjusted along with changes in the price index.

The amount of housing construction bonds subscribed for by each household shall be appraised and decided by housing management departments. Individual buyers may buy the bonds from the Municipal Trust and Investment Corp.

E. Interest of and Repayment for Housing Construction Bonds

The annual interest rate for housing construction bonds released in 1991 shall be set at 3.6 percent and repaid for in full in five years. There shall be no compound interest.

Housing construction bonds may be circulated and their possession may be transferred in accordance with the regulations.

F. Use of Funds from Subscribed Housing Construction Bonds

In principle, all units may use, with proper compensation, the funds from housing construction bonds subscribed for by their own staff members and workers. The funds shall be spent on housing construction.

4. Preferential Treatment Given to House Buyers

Commercialize residences step by step, encourage staff members and workers to buy their own residences, and give preferential treatment to residence buyers.

A. Participants and Scope

All units should adhere to the principle of first selling and then leasing available housing when distributing housing. They should strive to find housing for eligible staff members and workers who have the purchase priority. Purchasers of housing at preferential prices can be excused from participating in the purchase of housing construction bonds. The scope of housing with preferential prices sold by each unit should, in principle, be at least 20 percent of its total annual housing distribution.

Leased public housing with complete facilities for exclusive use, which are under direct municipal management or self-management, may be sold to staff members and workers at preferential prices.

B. Prices of Preferential Housing

The base price of new housing, which is the average construction cost and at 250 yuan per square meter in

1991, shall constitute one third of the average comprehensive cost of new housing. The base price of old housing shall be computed by multiplying the reinstated value of the housing (that is, the construction cost of the same kind of new housing built the year before) by the percentage of the newness of housing. Prices of both new and old housing shall be computed by adjusting the base price according to the location, direction, level, and facilities of housing.

Preferential treatment in addition to the above mentioned pricing computation shall be given to staff members and workers purchasing public housing already leased and occupied by them.

C. Inheritance and Sale of Housing at Preferential Prices

Housing purchased at a preferential price can be inherited, or be sold after completion of payment for the housing and five years of occupancy. From the price sold, a seller can only receive the portion of the average comprehensive cost in the original purchase price, with the remaining portion to go to the unit having the original property right.

D. Payment of Housing Purchased at Preferential Prices

Lump-sum payment of housing purchased at preferential prices shall be given a 20 percent discount. The first installment of time purchase should not be less than 30 percent of the price, and 2.5 percent discount shall be given to each additional 10 percent [of the price] in the first installment. In addition, time purchasers are required to pay a low rate interest. The time limit of installment payment for new housing should not exceed 15 years; and for housing already leased and occupied, 10 years. Staff members and workers may use the common reserve funds of own household members and immediate relatives to purchase housing.

E. Preferential Policies on Housing at Preferential Prices

Units having the property right and selling new housing at preferential prices shall be exempted from the construction and business taxes; while purchasers shall be exempted from the contract tax, and deferred of the urban land use tax payment for five years. Residential housing funds raised through selling housing at preferential prices shall be deferred of the payment of budgetary regulatory funds and energy and communications funds.

F. Use of Funds Recovered From the Sale of Housing at Preferential Prices

Funds recovered from the sale of housing at preferential prices shall be used exclusively for residential housing construction.

5. Establishment of Housing Committees

A. Nature of the Shanghai Municipal Housing Committee

The Shanghai Municipal Housing Committee (shortened as the Municipal Housing Committee below) is a policy research, managerial, and supervisory organ for promoting housing system reform under the leadership of the Shanghai Municipal People's Government.

B. Duties and Functions of the Municipal Housing Committee

(1) It is responsible for implementing the plans for the reform of the housing system, and studying and putting forward policies and implementation plans for further housing system reform.

(2) It shall participate in making policy decisions on programs, plans, and construction of houses to be built, as well as housing management.

(3) It shall decide how funds raised for housing system reform shall be used.

(4) It shall formulate measures for housing distribution and management and shall supervise housing distribution.

C. Structure of the Municipal Housing Committee

The Municipal Housing Committee is composed of members, who shall be assumed by leaders of the municipal government respectively in charge of reform of the housing system, housing construction and management; by officials of departments concerned under the municipal government; and by prestigious veteran comrades and celebrities of society. They shall be appointed by the mayor. An office and Shanghai Municipal Management Center for Common Reserve Funds shall be set up under the Municipal Housing Committee to take charge of its day-to-day work.

All departments, commissions, and offices, as well as districts, counties, and bureaus, shall set up their own housing committees.

III. Appendix

This plan should be implemented in conjunction with the effort to resolve staff members and workers housing problems. In housing distribution, it is necessary to give priority to solving problems of special impoverished households. A strict supervisory mechanism should be established to ensure smooth progress in resolving problems.

While implementing this plan, such systems as commercial housing, housing built with remittance from overseas Chinese, housing built with collectively raised funds, and housing cooperatives, which have proved effective, should continue to be popularized and implemented in coordination with this plan.

This plan shall be first implemented in the municipal proper. Where conditions permit, suburban counties, cities, and towns may also implement the plan.

Units of the central authorities and other localities stationed in Shanghai shall implement this plan.

Cadres, staff members, and workers of military-affiliated enterprise factories and local personnel in Shanghai, who lease military housing, should follow the relevant provisions in this plan. Procedures for retaining rents from and issuing subsidies to cadres, staff members, and workers of army units stationed in Shanghai, who lease local housing, should follow this plan.

Central-South Region

Guangdong Vice Governor Yu Fei on Price Reform

HK2703041991 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 23 Mar 91

[Text] The provincial meeting on price work and on commending advanced work in price supervision and inspection concluded this morning. Provincial Vice Governor Yu Fei stressed at the meeting that our province's price work this year must deepen reform on the one hand, and strengthen supervision and management on the other, to ensure that the general price level is basically stable.

Yu Fei said our province's price work last year scored very good results; this year we must grasp the good opportunity to promote price restructuring in a planned manner; on the premise of maintaining a basically stable general price level, we must increase the weight of reform, and actively and steadily adjust price structure; and we must establish a rational price system and management mechanism. On the price problem, he said we must relax control gradually on the one hand, and resolutely manage well on the other; we must resolutely manage the prices of the major commodities which have a bearing on the country's lifeline and the people's daily life; and we must strengthen supervision and management over price, establish a good price order, strictly prevent a new round of evil wind of wanton price increases from occurring, and ensure that the general price level is basically stable.

Henan's Li Changchun Speaks on Opening Up

HK2003110991 Zhengzhou Henan Provincial Service in Mandarin 2300 GMT 16 Mar 91

[Excerpts] The four-day Henan provincial work meeting on opening up to the outside world came to a close in Zhengzhou yesterday. Governor Li Changchun attended the meeting and gave an important speech. Other leading comrades including Song Zhaoxu, Lin Xiao, Qin Kcai, and Zhao Zhengfu were present at the meeting.

At this meeting, a consensus of opinion was reached and understanding enhanced, and it will play a positive role in expediting our province's pace of opening up to the outside world.

Governor Li pointed out: This has been a very successful meeting, though it is the first of its kind in our province. Through this meeting, it is necessary to help leaders at various levels and the people all over the province to obtain a sound understanding that opening up to the outside world is an important component of our party's basic line and a fundamental national policy that we should hold on to perennially, and also an inevitable choice to make in order to speed up socialist economic development. To realize the "high-and-low [yi gao yi di 0001 7559 0001 0144]" blueprint and accomplish our province's second-step strategic goals, it is necessary to further expand the opening up and, on the basis of this, promote transformation, exploitation, and development.

After analyzing the advantages that our province has to help the opening up, Governor Li said: To quicken the pace of opening up in our province, we must maintain a high morale and adopt a mentality of willingly exerting the utmost strength and actively seeking self-advancement. The extent to which our minds are emancipated, as well as our mental state, has a direct bearing on the progress of opening up. There are many things to be done to quicken the pace of opening up in our province. As far as our province's conditions are concerned, what is to be done mainly includes: the import of foreign capital, technology, and specialists; and the export of commodities, labor service, and technology. Among these "three imports" and "three exports," the most important is expanding the scope of foreign exchange earnings through exports, assimilating foreign capital, and improving the investment environment. At present, the task of improving the "soft environment" is even more arduous than that of improving the "hard environment" in the work on opening up in our province. Therefore, we must make energetic efforts to do a good job in it. [passage omitted]

Governor Li finally pointed out: The sign of improvement on our province's opening up is: marked enhancement of overall consciousness for the opening up, a big increase in foreign exchange earning through exports, establishment of a batch of new bases for earning foreign exchange through exports, considerable increase of "three-capital" enterprises, considerable growth in the utilization of foreign capital, and remarkable improvement on the environment for investment. This way, our province will become a leader among all of China's inland provinces in opening up to the outside world.

Northeast Region

Quan Shuren Article Views Women's Emancipation

SK2703071791 Shenyang LIAONING RIBAO in Chinese 8 Mar 91 pp 1,3

[Article by Quan Shuren, secretary of the Liaoning Provincial CPC Committee, entitled: "Foster a Marxist View of Women To Promote the Wonderful Progress of the Women's Emancipation Movement"]

[Text] In his important speech at the 1990 meeting to mark the 80th anniversary of the International Working Women's Day, General Secretary Jiang Zemin urged the whole party and the whole society to foster a Marxist view of women.

The Marxist view of women scientifically analyzes and summarizes, in line with the world outlook and the methodology of dialectical materialism and historical materialism, the basic issues, including women's social positions, functions, and rights, and the ways in which women strive for liberation; and is a theoretical foundation and a guiding ideology of the Chinese women's movement, a strong motive power to impel women to emancipate themselves, a powerful ideological weapon for criticizing and resisting all vulgar and corrosive views on women, and the party's fundamental theoretical base for formulating women's work policies and principles and for solving problems relating to women.

Over a long period of time, the CPC has constantly paid attention to applying the basic Marxist principles and the Marxist view of women to analyze, study, and solve problems relating to women; set forth definite requirements for women's work; and ensured that our women's emancipation movement advances with an accurate orientation. In particular, since the third plenum of the 11th party Central Committee, our country has entered a new period of building socialist modernization on a large scale, and our women's emancipation movement has entered a new historical stage.

Under the leadership of the party, the vast number of women in the urban and rural areas of the province have taken the basic Marxist theories and the Marxist view of women as a guidance, have positively engaged in the powerful current of reforms and the opening of the province to the outside world, and have displayed an increasingly prominent role in developing the spiritual and material civilizations. The vast number of women working on the industrial, agricultural, financial and trade, scientific, educational, cultural, and public health fronts have worked diligently, made contributions quietly at their posts, and gone all out to develop the province's socialist modernization. In particular, they have made outstanding contributions to opening Liaodong peninsula to the outside world, developing the eastern, western, and northern parts of the province, building an economic area along the Shenyang-Dalian Highway, consolidating the political situation characterized by stability and unity, and opening the province to the outside world; displayed a special role in doing their household duties, conducting family education, and carrying forward socialist moral integrity; enhanced their abilities and tempered themselves in the course of positively engaging in the management of state and social affairs; and greatly changed their political status. Increasingly more women cadres have emerged across the province. There are more than 1,780 women cadres at or above the county level. All this indicates the progress and development of the women's emancipation movement in the province and embodies the whole

party's and the whole society's efforts to attend to and support the women emancipation movement and the work relating to women.

However, due to the fact that China has had a long feudal history and generally sought small-scale production, and was influenced by feudal traditions and culture, some vulgar and corrosive concepts, thinking associated with small-scale agriculture, and the corrosive ideas of the capitalist class, some people still "regard men as superior to women." The theories of women "returning to the home," "regarding women as useless," and "regarding women as a burden" still find increasing support among the people. The activities of discriminating against and despising women and even abducting and trafficking in women and children often take place. In the past years, some localities still had such problems as women peasants returning to their home, women staff members and workers having days off, women cadres losing elections, and women college students having difficulties in arrangements jobs. These were once much-debated topics and practical problems. Thus, women are confronted with a new test which has social effect equal to the freedom of marriage that they strove to gain in the initial stage of liberation.

Facts tell us: The Marxist viewpoint of women has not been completely adopted in the whole party and the whole society. The women's emancipation movement still has a long way to go. We still have to do a lot of arduous work in the future. So, we must positively respond to General Secretary Jiang Zemin's call for the whole party and the whole society to foster the Marxist viewpoint of women and to treat today's women's emancipation movement with the proletarian strategic foresight of seeking thorough emancipation and in line with the overall interest of the whole society and the prosperity of the whole nation.

Marx once pointed out: "Those who understand the historical viewpoints know that it will be impossible to have a great social change without the catalyst of women."¹ Comrade Mao Zedong once said: "The Chinese women are great human resources."² The Liaoning's women movement clearly indicates that women are key forces of the socialist revolution and socialist construction as well as new forces to promote social progress. We may say that no great matters will be accomplished in Liaoning without the participation and the support of women. Today, we call women to make continuous efforts to promote reform and construction and ask them to promote social progress with their creative achievements. At the same time, we also ask to turn the Marxist view of women into a common understanding of the people of the world. Leaders at various levels, particularly principal leaders, should conscientiously study the proletarian revolutionaries' brilliant exposition of women's issues; accurately understand women's social positions and their role in developing social production; take the lead in disseminating and fostering the Marxist view of women; really be sure to foster a concept of respecting women, show concern for

their political life, support their work, give consideration to their livelihood, and firmly help solve their practical problems; and strive to promote the progress of the women's movement.

The key to fostering the Marxist view of women hinges on giving full scope to women's role. The next decade is a key period in developing China's socialist modernization. In line with the requirements as set forth at the seventh plenum of the 13th party Central Committee and on the basis of realizing the first-step strategic objective, we should fight to achieve the second-step strategic objective. The central task ahead of the people of the province in the next 10 years is to try every possible means to promote the province's economy. So, we must enable the women across the province to positively engage in the economic construction and make unswerving efforts to fulfill this glorious and arduous historical task. We must apply the Marxist view of women to organize and mobilize the vast number of women and push them to the main battlefield of economic construction. By launching the campaigns of studying culture and technology and emulating each other in achievements and contributions, and by being women with ideals, moral integrity, education, and a sense of discipline to make contributions to the fulfillment of the Eighth Five-Year Plan, we should organize women to promote the province's economic construction. In particular, we should also respect the vast number roles unique to women in carrying out their household duties, conducting family education, and persisting in social morality; and make efforts to promote social civility and progress.

Developing and selecting women cadres is a major indicator for fostering the socialist view of women. Women cadres are forces to promote women's liberation. That a large number of women cadres work at the party and government leading posts and engage in the management of party, state, and social affairs is a sign of social development and progress, one of the yardsticks to measure the degree of women's emancipation, and an objective requirement for the flourishing development of socialist undertakings. The vast number of women should have both responsibility for and ability in managing state and social affairs. Party organizations at various levels should pay attention to developing and selecting women cadres in line with the requirements as set forth in the party constitution. At present, women cadres of various types at various levels only amount to a small number of the province's total. The province still lags behind in terms of the number of women cadres at some levels. This merits our attention. Organizational and personnel affairs departments at various levels should take the cultivation of women cadres as part of their work to cultivate hundreds of millions of successors to the proletarian revolutionary cause and conscientiously attend to it in such as was as to encourage the ceaseless growth of women, who account for half of the population.

Strengthening the party's leadership over women's work is the key to fostering the Marxist view of women. Party committees at various levels should conscientiously study the special characteristics and the law of the women's movement at its current stage, link theory with practice, strengthen and improve leadership over the women's work, adopt some specific measures for solving practical problems relating to women's work, and support women's federations to independently carry out their work in line with the central tasks of the party. Cadres of women's federations at various levels should take the lead in studying and applying the basic theories of Marxism and the Marxist viewpoint of women to consciously upgrade their rational knowledge, go all out to upgrade the character of the vast number of women, earnestly perform the glorious duties entrusted to the vast number of women by the party and the state, bring utilize better the women federations' role as a bridge and a link to make closer the relationship between the party and the masses, and strive to make the province's women's movement advance in a correct manner.

Footnotes

1. "The Collected Works of Marx and Engels," Vol 32, p 571.
2. A note on the article entitled "Mobilize Women To Engage in Production To Solve the Difficulties in Lacking Productive Forces"

Northwest Region

Gu Jinchí Meets Gansu Deputies to NPC

HK2203124691 Lanzhou Gansu Provincial Service
in Mandarin 2300 GMT 20 Mar 91

[Text] At the Lanzhou Hotel yesterday morning [20 March], provincial leaders including provincial party secretary Gu Jinchí met with the deputies to the Fourth Session of the Seventh National People's Congress [NPC] and the members of the Seventh National Committee of the Chinese People's Political Consultative Conference [CPPCC] attending its fourth session, who were about to leave for Beijing.

Comrade Gu Jinchí said: This NPC session is very important as it will discuss the formulation of the 10-Year Program and the Eighth Five-Year Plan of our country. I hope you comrades will convey our province's confidence and determination in fulfilling the second-step strategic goal of the modernization drive to the NPC session, and learn from the advanced experiences and plans of other provinces and regions.

Comrade Gu Jinchí also expressed his wish to the deputies that they would earnestly attend the session on the one hand and pay attention to their health on the other hand.

Comrade Gu Jinchu also made a few points on a number of current issues, such as agriculture, economic efficiency of enterprises, and comprehensive improvement of social order. He joined the deputies to the two sessions in photo-taking to mark the occasion.

Xu Feiqing, [name indistinct], Lu Kejian, Yan Haiwang, et al, were also present at the meeting.

Attends Supervisory Conference

HK2703152891 Lanzhou Gansu Provincial Service
in Mandarin 2300 GMT 24 Mar 91

[Text] Gu Jinchu, secretary of the provincial party committee, pointed out: All levels of supervisory organs must get a thorough understanding of the political situation and features of the supervisory work, further motivate the masses to help with the work, and promote province-wide political stability and economic development.

He said: To exercise supervision properly, speed up the building of clean and honest government, and examine and act on major and vital cases are the key tasks for supervisory organs. To this end, they must conduct thorough investigations and make great efforts to examine and act on illegal cases. They must conduct timely education among cadres and provide guidance for the building of clean and honest government.

Gu Jinchu hoped all levels of supervisory organs would strengthen themselves politically and organizationally, play an exemplary role in their work, diligently study their profession, learn scientific ways of doing things, and improve their efficiency.

He finally stressed: All levels of party committees and governments must render energetic support to supervisory organs and all relevant departments must closely cooperate with them so as to ensure the success of the supervisory work.

The seven-day third provincial conference on supervisory work closed in Lanzhou yesterday [24 March]. The meeting commended 15 advanced units including the Lanzhou Supervisory Bureau and 49 advanced individuals in supervisory work from all over the province.

Other provincial leaders Li Ziqi, Xu Feiqing, Mu Yongji, (Qu Ziwei) attended the conference.

Writes on Lei Feng

HK2603063991 Lanzhou GANSU RIBAO in Chinese
5 Mar 91 p 1

[Article by Gansu provincial party Secretary Gu Jinchu: "To Learn From Lei Feng, We Should Attach Importance to the Essentials and Practical Results"]

[Text] The Lei Feng spirit is the spirit of selfless dedication, self-sacrifice, serving the people heart and soul, and the lofty spirit of a combination of communist morality and the Chinese nation's traditional virtues. Based on the activities in learning from Lei Feng in Gansu last

year, and on the spirit of the 13th CPC Central Committee's Seventh Plenum, we feel that under the new situation, the activities in learning from Lei Feng should be deepened; at present, we should make special efforts to learn the essentials, do practical things, and attach importance to actual results.

The contents of the Lei Feng spirit are rich. However, during the learning, we should persistently and firmly grasp the basic problem of establishing the communist outlook on life.

First, we should establish communist aspirations like Lei Feng did. Establishing communist aspirations is the supreme realm of the communist outlook on life. Comrade Xiaoping stressed: "We must always instruct our people, especially our youths, that they should have aspirations. Why have we survived the past's extremely difficult situation, and overcome numerous hardships to enable the revolution to win? It was because we had aspirations." Lei Feng could acquire the communist outlook on life, because basically he had established communist aspirations. In his own words, "dedicate all my energy and my whole life to the undertaking in human liberation—communism." At present, we are facing the test of preventing overseas antagonistic forces from materializing "peaceful evolution" in China, and the challenge against socialist and communist thinking by the trend of bourgeois liberalization thought at home. So long as we have the great ideal of communism, we can adhere to the communist course, and like Lei Feng, "listen to the party and whole-heartedly follow the party," and overcome difficulty and advance toward victory.

Second, like Lei Feng, we should establish the thinking of collectivism. Collectivism is the basic point of the communist outlook on life. In the process of reform, opening up, and developing the socialist planned commodity economy, we should, in particular, oppose extreme individualism. Some people do not care that their private interests might jeopardize the state's, collective's, or society's interests; some cadres do not work for the people's well-being, but work for their own benefits, houses, cars, tickets, and sons. This situation is not in accordance with the Lei Feng spirit, and we must resolutely struggle against it.

Third, like Lei Feng, we should diligently study Marxist theory. Marxist theory, and in particular Marxist philosophy, is the theoretical basis of the communist outlook on life. At present, some of our comrades neither understand nor study Marxism-Leninism, and this is very dangerous, while the lesson [referring to the Tiananmen incident] was also bitter. We must resolutely overcome this trend, develop Lei Feng's "nail" spirit, treat Marxism-Leninism and Mao Zedong Thought as "food, weapon, and compass," and really study and grasp Marxism's basic theory.

Whole-heartedly serving the people is our party's basic purpose, and the Lei Feng spirit's core. Lei Feng had

some good words: "Human life is limited, however, serving the people is unlimited, and I must throw my limited life to unlimited service to the people." When Lei Feng was alive, he attained the purpose of serving the people through doing numerous good things and practical things for the masses. Therefore, if we want to learn from Lei Feng, we should do practical things and serve the people whole-heartedly.

At present, it is particularly important for cadres to do practical things, and this is also stressed repeatedly by the party Central Committee. When we do practical things, first, we should consider the masses' situation, and communicate closely with them. We must think what the masses think, worry about what the masses worry about, and always remember the masses' matters. Second, we must try our best to actually solve the masses' actual problems. We must go deep to the masses, the practical situation, the workshop, the mine, and well; we must go to the areas of minority nationalities, the old liberated areas, the border areas, and the poor areas; we must go to student hostels and teachers' houses, to preach the party's principle and policy, listen to what the masses think, and understand their troubles, then, we help them solve their actual difficult problems one by one, so as to let them really feel the party's care and socialism's warmth. Third, we must be determined to overcome the situation of passiveness and corruption, and promote the building of clean government. Every party member and cadre, especially the leading cadres at or above county level, must set an example; they should not supervise others but not themselves, or supervise the below but not the above, or supervise the far away but not the nearby. They should set the example of clean government and abiding the law. They should make up their minds to make efforts to solve the problems against which the masses have strong grievances, and which have remained unsolved for a long time but are solvable, and let the masses applaud and support us from the bottom of their hearts. Of course, when doing practical things, we must pay attention to proceeding from the actual situation, and integrate need with possibility; those which can be tackled should not be delayed, those which cannot be tackled for the time being must be explained to the masses.

At present, our country has entered a new phase of development, and we face very difficult duties. This raises more demands for us to develop the Lei Feng spirit, pay attention to practical results, firmly grasp implementation, unswervingly carry out the party's basic line, place our foothold on doing our jobs well, actively develop productive forces, and earnestly do a good job in economic construction. This requires us to inject the learning from Lei Feng activities into ideological and political work. We must integrate learning from Lei Feng with learning from the documents of the 13th CPC Central Committee's Seventh Plenum, with the propaganda for deepening reform and expanding opening up, with the struggle for profoundly carrying out the education on upholding the four cardinal principles and

opposing bourgeois liberalization, and with improving and strengthening ideological and political work, so as to fully arouse the socialist enthusiasm for doing a good job in economic construction among the great masses of people, and to create a stable social environment for economic development. We must use the spirit of the 13th CPC Central Committee's Seventh Plenum to unify the people's thinkings and actions, resolutely promote reform and opening up, develop Lei Feng's style of conforming speech to action and of plain living and hard work. We must be adventurous and explore, and whole-heartedly do a good job in economic construction. The leading cadres at various levels should spend their energy in thinking about practical work, and consider the actual situations in their own localities or units, and make the basic guiding principle contained in the "Proposal" more concrete, as well as institutionalizing it; they should thoroughly understand every major problem, and grasp them firmly until they are completely solved.

Song Hanliang, Others Denounce Books on Splittism

OW2303043191 Urumqi Xinjiang Television Network
in Mandarin 1655 GMT 22 Mar 91

[From the "Xinjiang News" program]

[Text] The autonomous regional party committee held a meeting of responsible party cadres of departments and bureaus at and above the prefectural, autonomous prefectural, and city levels in the People's Hall this morning, to criticize the national splittist views disseminated in *The Uygur People* and two other books. Leading autonomous regional comrades Song Hanliang, Tomur Dawamat, Janabil, Li Shoushan, Zhang Fusen, Guo Gang, Zhou Shengtao, and Zhou Guofu attended the meeting.

Comrade Song Hanliang, secretary of the autonomous regional party committee, presided over the meeting. Tomur Dawamat, deputy secretary of the autonomous regional party committee and chairman of the autonomous region, delivered an important speech entitled: Roundly Criticize the National Separatist Ideas and Views Disseminated by *The Uygur People* and Two Other Books and Work Hard To Further Promote Stability and Development in the Autonomous Region. He dwelled on the main errors and key points of *The Uygur People*, *The Brief History of the Huns*, and *The Ancient Literature of Uygur*, after recounting the circumstances leading to their publication and other relevant facts.

Tomur Dawamat said: The three books are highly deceptive because they were published as academic works. As a matter of fact, they are not academic works. They are bad books in the guise of academic study that advocate efforts to split a unified motherland and undermine ethnic solidarity. The errors committed by the writers are not related to academic thought or theoretical views. They are errors in political stances and views.

Tomur Dawamat stated: The writers essentially repudiate the fact that Xinjiang has been an inalienable part of our great motherland since ancient times, and that

ours has been a unified multiracial country since then. They advocate an independent nation and fundamentally disavow the fact that people of all nationalities in Xinjiang have been an inalienable part of the great Chinese nation since ancient times. In addition, they advocate ethnic independence; essentially repudiate the main historical trend of friendly exchanges, harmony, solidarity, unity, and progress formed among various nationalities in our country in the long course of historical development; distort historical facts; fabricate history; and preach national splittism. They reject as traitors all historical figures who favored and protected the unity of the motherland and who advocated the Ming Dynasty's restoration of good relations with the Hans. They eulogize as lion-hearted heroes people who oppose the unity of the motherland, promote splittism, and engage in conspiracy. They also instigate and preach an independent Eastern Turkestan, and fundamentally repudiate the cultural exchanges and mutual influences among various nationalities in China's history. They concoct the theory that the world's culture originated in Xinjiang and Central Asia, and advocate Pan-Turkish culture and a Pan-Turkish community.

Tomur Dawamat said: The gist of *The Uygur People* and the other two books is to distort, alter, fabricate, and falsify history, with the aim of swaying public opinion toward Xinjiang independence and the establishment of an Eastern Turkestan, and separating Xinjiang from the great motherland and the Uygurs from the Chinese nation. In reality, it advocates antiparty, antisocialist, and restorationist reactionary rule, and is capable of bringing renewed suffering to people of all nationalities.

In conclusion, Tomur Dawamat stated: In order to wipe out the poisonous influences of the three books, the autonomous regional party committee has decided to take well-guided, planned, and systematic actions to conduct lively and profound education among cadres

and people of all nationalities and young students throughout the region on Marxist views on nationalities and history, and on the need to protect the unity of the motherland, to strengthen ethnic solidarity, and to oppose national splittism. This will lay a good foundation for consolidating and developing our region's excellent situation marked by stability and solidarity, rejuvenating Xinjiang, striving to complete the various tasks set by the autonomous region's fourth party congress, and achieving long-term stability and development in Xinjiang.

Song Hanliang, secretary of the autonomous regional party committee, also spoke at the meeting. He said: Our differences of opinion over *The Uygur People* and the other two books are absolutely not academic disputes nor an uproar over a trivial issue. They are a serious class struggle between splittism and antisplittism in the ideological domain and a major issue that is crucial to political and social stability, and economic development in our autonomous region. Leading comrades at all levels must attach great importance to this and should by no means take it lightly. They must take a firm and clearcut stand in handling the major issue of criticizing the three books.

Comrade Song Hanliang said: Opposing national splittism is in the fundamental interests of people of all nationalities in Xinjiang and in the interests of the revolutions of people of all nationalities. A handful of national splittists, regardless of their ethnic origins, are the common enemies of people of all nationalities. In criticizing the three books, we should have full confidence in, and rely completely on, the vast numbers of cadres and people, strengthen ethnic solidarity, work in unison, and make fresh contributions toward maintaining the unity of the motherland, preserving ethnic solidarity, and consolidating and developing political stability and solidarity in our region.

Presidential Spokesman on Li Peng NPC Report*OW2603173591 Taipei Domestic Service in Mandarin
2300 GMT 25 Mar 91*

[Text] Chiu Ching-yi, spokesman of the Presidential Office, said that the relevant remarks in the report to the Fourth Session of the Seventh National People's Congress by Li Peng, the premier of the Chinese communist State Council, are a realistic [zheng shi] reply to our national reunification program and the contents are also fairly practical. This is progress.

In his report, Li Peng pointed out: In the recent period, the Taiwan authorities repeatedly issued statements advocating the reunification of the country and are planning to take some measures that are objectively conducive to developing relations between the two sides of the Taiwan Strait. We welcome this.

Chiu Ching-yi said: Li Peng's report is realistic, not as harsh and mean as articles written by some commentators. This is progress.

Chiu Ching-yi said: We have done a lot of things regarding the question of the reunification of China. Chinese communists should also respond in a practical manner and should not hide. This is a very important point. If there is any misunderstanding, both sides can explain it clearly.

Li Peng stated that the communist party and the Chinese Kuomintang can hold talks at an earlier date on the question of reunification or major issues of relations between the two sides of the Taiwan Strait, including issues of concern to the Taiwan authorities.

Chiu Ching-yi said: The Chinese communists understand our concerns. Chiu Ching-yi also pointed out: We have not changed our position and policy of not holding party-to-party talks with the Chinese communists. In the future, the Foundation for Exchanges Across the Taiwan Strait can handle things. One of the purposes of the foundation is precisely to seek channels for exchanges between the two sides of the Taiwan Strait.

Government Spokesman Views Report*OW2603174791 Taipei CNA in English 1555 GMT
26 Mar 91*

[Text] Taipei, March 26 (CNA)—Any remarks or gestures by Peking that can reduce tensions between Taiwan and the mainland are welcome, a government spokesman said Tuesday.

Shao Yu-ming, director general of the Government Information Office, said however that Peking's proposal to hold talks between the ruling Kuomintang and the Chinese communist party is not acceptable, "because the country belongs to the people rather than a political party."

Shaw made the comment at a Legislative Yuan meeting after mainland Chinese premier Li Peng reported

Monday to the National People's Congress on his government's work concerning Taiwan.

The spokesman said it is premature to hold any government-to-government talks with Peking until the process of national unification enters the intermediate stage outlined in the national unification guidelines adopted recently by the National Unification Council.

He said the goals set forth in the unification guidelines are to establish equal and mutually beneficial relations between the two sides of the Taiwan Strait in the initial stage, to make official contacts in the intermediate stage, and to hold political consultations on national unification in the final stage.

It would be inappropriate to hold party-to-party talks or to make official contacts before the initial goals are attained, he said.

"There is no timetable for the three stages," he said. "It will wholly depend upon interactions between the two sides."

He described Li Peng's Monday remarks on Taiwan as milder than usual, but, he said, "We will continue to watch for their response."

If Peking can quickly release without any unreasonable demands the three marine anti-smuggling squad policemen abducted to the mainland on March 8, "We will regard it as a goodwill response," he added.

Air Service Agreement Signed With Australia*OW2603174991 Taipei CNA in English 1527 GMT
26 Mar 91*

[Text] Taipei, March 26 (CNA)—An agreement establishing direct air links between Australia and the Republic of China [ROC] was signed Monday in Taipei, an official of the Ministry of Foreign Affairs said Tuesday.

The agreement was signed by R.J. O'Donovan, representative of the Australian Commerce and Industry Office in Taipei and Lin Shuei-ji, director of the East Asia and Pacific Department of the Foreign Ministry, he said.

Australian Foreign Affairs and Trade Minister Gareth Evans said in a statement that the agreement provides a comprehensive framework for establishing direct air service between the two countries, according to a press release from the Australian office in Taipei.

A delegation led by Director General Chen Chia-ju of the Civil Aeronautics Administration is working with the Australian side in Sidney on the technical and commercial details of the agreement, he said.

Australian Foreign Minister Comments

BK2603090991 Hong Kong AFP in English 0843 GMT
26 Mar 91

[Text] Canberra, March 26 (AFP)—Australia has signed a commercial aviation agreement with Taiwan, clearing the way for direct air links, Foreign Minister Gareth Evans said here Tuesday in an announcement met with concern by Beijing.

"Air links between Australia and Taiwan will significantly assist the development of commercial ties, including tourism, with Taiwan and we have been looking forward for some time to this breakthrough," Mr. Evans said in a statement.

The agreement was signed Monday in Taipei, but talks are needed to settle technical and commercial details before flights by Australia Asia Airlines (AAA), a subsidiary of Qantas Airways, could commence.

The signing was timed to coincide with initial talks this week in Sydney involving a technical team from Taiwan's Civil Aviation Authority, led by Chen Chia Gu, and AAA officials.

A Qantas spokesman said it was "not possible to speculate when the first flight will take place" until talks concluded.

Mr. Evans noted that in line with Australia's policy of only recognising the People's Republic of China, neither Qantas nor Taiwan's flag carrier China Airlines would operate the route.

The foreign minister, who is to visit China next month, said Canberra had kept Beijing closely informed on the negotiations.

But a senior official of the commercial section of the Chinese Embassy here complained that Canberra had not sought the prior approval of the Chinese Government for the move.

"The Chinese Government has stated many times that air links between any foreign aviation company and Taiwan are not within ordinary non-governmental trade and economic ties, but is a political issue relating to the sovereignty of China," he said.

"So any country intending to establish air links with Taiwan should first consult and seek approval from the Chinese Government," the official said.

"There has not been approval sought in this case and certainly we are concerned."

Mr. Evans noted that a government-to-government agreement could not be concluded because Australia accepts China as the sole legal government and acknowledges Taiwan is a province of China.

The Australian Tourism Industry estimates the number of Taiwanese coming to Australia could increase from about 19,000 annually to some 140,000 with direct air links.

Trade links are already worth six billion Australian dollars (4.6 billion U.S.) a year.

Qantas has predicted direct air services will generate a profit of 23 million dollars (18 million U.S.) within two years.

Present at the signing was conservative opposition leader John Hewson, the most senior Australian politician to visit Taiwan since Canberra's recognition of China in 1972.

Mr. Hewson, who supports the government's "one China" policy but wants to see commercial and trade links upgraded, had talks Monday with Foreign Minister Frederick Chien and Economic Affairs Minister Vincent Siew.

Economics Minister Meets Soviet Delegation

OW2603040891 Taipei Domestic Service in Mandarin
2300 GMT 24 Mar 91

[Text] According to sources, Taiwan's Economic Minister Hsiao Wan-chang held secret talks with Soviet Vice Minister of Electronics Industry Ivanov in Taipei last week. Ivanov affirmed Taiwan's strength in the electronics information industry, while Minister Hsiao expressed support for domestic manufacturers to trade with the Soviet Union and expressed the hope for the exchange of certain services, such as the issuance of visas. According to reports by LIEN HO PAO, Ivanov, Soviet vice minister of electronics industry in charge of the electronics information semiconductor industry, and four other responsible persons from the state-run semiconductor industry, ended their one-week private visit to Taiwan yesterday. The primary purpose of the visit was to study Taiwan's ability in the power industry, the electronics industry, and the channels for power technology exchange.

Members of the electronic industry study group led by Soviet Vice Minister Ivanov also included officials from two large Soviet state-run semiconductor companies, which employ more than 100,000 workers each.

Businessmen Cautioned on Mainland Economic Policy

OW2603180191 Taipei CNA in English 1600 GMT
26 Mar 91

[Text] Taipei, March 26 (CNA)—Taiwan businessmen were cautioned Tuesday against rushing to do business with or invest in mainland China because Peking's economic policy is still dominated by politics.

Chinese communist prime minister Li Peng's latest remarks indicate that Peking will maintain its centrally-planned policies and a free market economy is unlikely to emerge there soon, a Ministry of Economic Affairs official said.

Li told the National People's Congress Monday that Peking will insist on the socialist course and public ownership.

"Li's remarks prove that the communist nature remains unchanged and Peking is unlikely to shift to a free market economy in the foreseeable future," the official commented.

Under such circumstances, he warned, local businessmen should be more cautious in developing business and investment relations with the other side of the Taiwan Strait.

Under the national unification guidelines worked out last month, the official noted, the Ministry on Economic Affairs has begun studying ways to cope with new cross-strait trade, investment, technical cooperation and other commercial relationships.

The official stressed, however, that no timetables have been set for improving relations with the mainland.

"All will depend on whether the Chinese communists respond with good will," the official said. "We will still give top priority to maintaining national security and overall economic development."

Hong Kong

Zhou Nan Interviewed on 10-Year Program's Impact

HK2603110491 Hong Kong WEN WEI PO in Chinese
24 Mar 91 p 2

["Dispatch" from Beijing by staff reporting group:
"Zhou Nan Says That China's 10-Year Program Will
Produce a Positive Impact on Hong Kong, Macao, and
Taiwan—an Interview by WEN WEI PO"]

[Text] Beijing, 23 Mar (WEN WEI PO)—Today, XINHUA Hong Kong Branch director Zhou Nan, who is also a deputy from the Hong Kong and Macao region to the National People's Congress [NPC], said that the next 10 years will be a crucial decade for national development and the fulfillment of the great cause of national reunification. He believed that the implementation of the Eighth Five-Year Plan and the 10-Year Program will have a positive impact not only on the mainland but also on the Hong Kong and Macao region and Taiwan.

This evening, Zhou Nan was interviewed by WEN WEI PO. He talked about his feelings about attending the NPC session as a deputy from the Hong Kong and Macao region for the first time. He said that in being elected to be a people's deputy to the NPC, he felt he was shouldering one more responsibility. He had not been engaged in NPC work in the past. In general, a people's deputy should make efforts to fulfill his duties according to the stipulations of the Constitution. Zhou Nan said: "When Premier Zhou Enlai took charge of the Ministry of Foreign Affairs in the past, he often instructed us to 'work in earnest while facing a new task.' Therefore, I must hold an earnest and conscientious attitude, learn from all other deputies and their experience, and fulfill the duties of a people's deputy."

Zhou Nan said that by participating in the activities of the Hong Kong and Macao group, he is willing to join the people's deputies from all parts of the country, especially those from Hong Kong and Macao, in increasing mutual understanding and friendship between residents on the mainland and residents of Hong Kong, and in strengthening exchanges and cooperation between the mainland and Hong Kong so that joint efforts can be made to implement the Sino-British Joint Declaration and the Basic Law.

When talking about the Eighth Five-Year Plan and the 10-Year Program, Zhou Nan said that the two plans will still be discussed at the NPC session. According to the published materials, they will be inspiring plans. We are striving to quadruple the GNP by the end of this century, or to double the GNP on the basis of the 1990 level. This is not an easy task. Although the target of the per capita income level is not an amazing one, things in China should always be calculated through multiplication. If the per capita figure is multiplied by 1.1 billion, the result will be a tremendous one. When China becomes a comparatively well-off nation in the year 2000, although the per capita income will still not rank in an advanced

place in the world, the country's comprehensive strength will be rather considerable. Thus, not only will the people live in a more affluent condition and raise their living standards, but China will also further raise its international status. To make further advances on this basis, we will really shake off our country's poor and backward condition over the past more than 100 years, and will achieve the goal of regenerating our country. This is the goal that our ancestors of several generations before us strove to attain in their struggle. This is indeed an inspiring prospect. Being a Chinese citizen is very glorious. He said: To achieve the inspiring prospects, we still need to make painstaking efforts and work hard. In ancient times, Gou Jian, the King of Yue, slept on brushwood and tasted gall to keep achieving his own aim. In the world, fruits will never come naturally on a silver plate. Everything must be won through hard work.

Zhou Nan said: The next 10 years will be a crucial period for realizing socialist modernization with Chinese characteristics. It will also be a crucial decade for realizing national reunification. In 1997, Hong Kong will return to the motherland. In 1999, Portugal will also return sovereignty over Macao. It is believed that in this period, great progress will also be made on the settlement of the Taiwan issue. It is hoped that not only the people on the Chinese mainland but also the entire Chinese people in all parts of the world will be further united to make contributions to the further prosperity of the Chinese nation. By doing this, we shall fulfill our duties and shall be worthy of our future generations.

Zhou Nan said that he hoped and also believed that the established and effective cooperation between Hong Kong and the mainland will be further developed and upgraded in the next 10 years, and more comprehensive cooperation on the basis of mutual benefit will be conducted. The implementation of the Eighth Five-Year Plan and the 10-Year Program will not only promote the substantial development of the mainland economy, but will also produce a positive impact on Hong Kong's economy and Hong Kong-mainland cooperation as well. Even after 1997, in the new pattern of economic development on the mainland, the advantageous position of Hong Kong in some aspects will still be irreplaceable. He hoped that both sides would be able to more closely combine each other's advantages and expand their cooperation. This would give a great impetus to the prosperity of both sides. We should push forward and promote such cooperation and further expansion.

Zhou Nan said: The Basic Law is in line with the fundamental interests of the entire people in China, including the people in Hong Kong. The promulgation of the Basic Law has naturally won support and favorable comments from the people. Now, there are more than six years before the year 1997 comes. The Basic Law will become the basic standard for behavior in various aspects of the social life in the Hong Kong Special Administrative Region. Therefore, in a certain period to come, an important task is to further give deep and wide publicity to the Basic Law and to make it known to every

person and household. In the past year, people in various circles in Hong Kong have carried out many activities in this regard, and have done a great deal of work. Now, it is still necessary to widely and deeply carry on this work. Zhou Nan said: The Basic Law provides the grounds for arranging the transition from the pre-1997 period to the post-1997 period and the linkage between the two. In the second half of the transitional stage, the linkage should be arranged in line with the stipulations of the Basic Law, and no arrangement should deviate from the Basic Law. Now, more and more people have come to realize the necessity of this point.

Zhou Nan said: After 1997, Hong Kong will be governed by the people in Hong Kong, and this cannot be fully realized overnight. Therefore, in the second half of the transitional period, the residents of Hong Kong should pay more attention to affairs in social life, and gradually get familiar with the way to administer Hong Kong. Thus, in the future, they will be able to properly realize a high degree of self-government by the people of Hong Kong according to the Basic Law.

Zhou Nan said that he deeply believed the creative conception of "one country, two systems" will certainly be realized. This is beyond any doubt. This is aimed at nothing but maintaining Hong Kong's long-lasting prosperity and stability and at the same time bringing benefit to the people on the mainland.

Bank of China Urges Control of Government Expense
HK2703025791 Hong Kong HONGKONG STANDARD
(BUSINESS STANDARD) in English 27 Mar 91 p 1

[By Peggy Sito]

[Text] The Bank of China has urged the Hong Kong Government to take serious measures to control its expenses in the development of infrastructure works.

The bank, which reflects official Beijing policy, said that the Government risked undermining Hong Kong's traditionally strong financial status in the region.

In its Hong Kong-Macao ECONOMIC QUARTERLY REPORT, the Bank of China said the Government's plan to raise capital from reserves and by borrowings, announced in the budget, could cause problems.

Financial difficulties could occur if the Government did not develop sound principles in using its reserves.

The bank called on the Government to be extremely cautious in raising capital through borrowing or bonds to develop infrastructure works.

It said there had been predictions that an enormous amount of capital would be needed for Hong Kong's infrastructure by the time the territory reverted to China in 1997.

A sufficient reserve of public funds was clearly in order for future development.

It was vitally important for the Government to control its expenses as the growth rate of public expenditure would otherwise be greater than the territory's gross domestic product.

The Bank of China also suggested that the Government should privatise parts of the infrastructure projects to control its expenses and guarantee sound financing and participation from the private sector.

The 1991-1992 budget also posed serious questions, the bank said.

It said that Hong Kong's inflation rate—which stood at 11.9 percent in February—would probably worsen after the Government imposed indirect taxes on seven items in April.

The inflation rate of Hong Kong in the past two years was 10.1 percent and 9.8 percent, respectively.

The bank forecast that the inflation rate would increase about 2 percent after the imposition of new taxes announced by Financial Secretary Sir Piers Jacobs on March 6.

It said that in the past two years, the Government had continued to increase the number and level of indirect taxes in order to increase its income.

The Government should completely review its taxation policies as the growth rate of the indirect tax would decelerate after the increases of the previous two years.

It would undoubtedly be very cautious of any move to increase direct taxes as it would seek to maintain the overall low tax rate of the territory—one of its prime draws for foreign firms.

The bank said the Government should increase its income by reining in its expenditure.

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